City of Rialto

Municipal Airport Asset Strategy
Phase I Report
Final Draft

April 21, 2004

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City of Rialto

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Phase I Report

Final Draft

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Table of Contents

Appendices

List of Figures

List of Tables

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EXECUTIVE SUMMARY

Introduction

The Rialto Municipal/Art Scholl Memorial Airport (the Airport) and the 453 acres of land it occupies are owned and managed by the City of Rialto. This airport serves the General Aviation (GA) market in the portion of Southern California commonly referred to as the "Inland Empire." While the City adopted an Airport Master Plan and a Specific Plan for the surrounding area in the early 1990s, the direction set in those plans was shaped by a far different set of realities and perceptions regarding the Airport—and the region for that matter—than now exist. Changes regarding the Airport since then are remarkable. They include:

- A significant decline in based aircraft and operations at Rialto;
- Rejection by the Federal Aviation Administration (FAA) of a 1997 Environmental Assessment prepared for the additional runway at the airport specified in the 1992 Master Plan on the basis that sufficient demand had not been demonstrated to justify this capacity increase at the airport;
- General uncertainties regarding the future growth of general aviation (GA). The twin-engine turboprop and jet business component is expected to grow, but it is not presently served at Rialto;
- Unexpected competition from San Bernardino International Airport (previously, Norton Air Force Base), in addition to the other ten GA-serving airports within a 20 mile radius of Rialto (mapped on Figure ES-1, *Rialto Airport Subregion*);
- A continuous City budget deficit in connection with the airport, projected to escalate in the future—a serious concern magnified for the City by State budget problems; and
- Increased interest in the Airport and surrounding land by developers due to construction of the I-210 Freeway directly to the north of the airport.

The primary purpose of the Phase I Strategy was to determine whether the Rialto Municipal Airport could be closed and, if so, under what conditions. If closure was a viable option, then a second phase analysis would evaluate the costs and benefits of viable aviation and non-aviation development options that would be identified as part of the Phase I report. As context for the Phase I assessment, this Strategy report accumulates historical data on Airport operations and economics.

Basic GA Understandings

Several key points about the nature of the contemporary GA situation were developed for this study with the assistance of individuals in the region highly knowledgeable about GA. These points are a mix of assumptions, observations and principles based on extensive experience in the GA world. These considerations can be summarized as follows:

- GA is over 80% recreation oriented.
- GA is more heavily concentrated in business and population centers.
- GA will have no appreciable growth (1% or less) during the foreseeable future (20 years or more).
- GA facilities in most instances will require local subsidy—possibly worthwhile if the airport has long-term value to the community as a stimulus or magnet for high-value economic development.
- The continued ownership and operation of GA airports will require sustained, long-term leadership and financial commitment.
- There is sufficient excess GA operational capacity in the region to serve projected future demand over the next 20 years.

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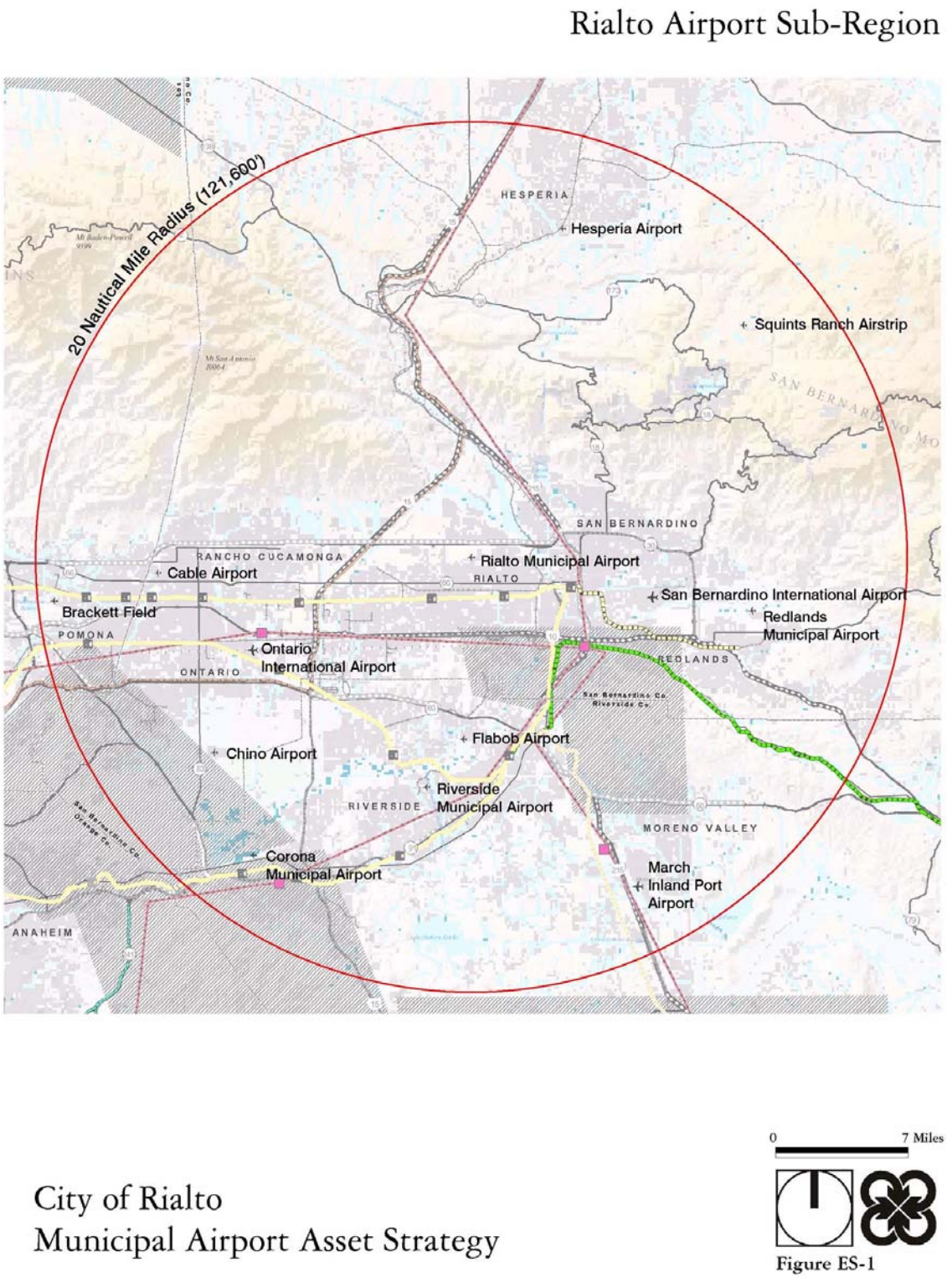
Figure ES-1 Rialto Airport Sub-Region



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- No new GA airports will be established in suburban areas; some expansion is possible, though not likely in the near term.
- Competition between GA airports rewards locations convenient to business and population centers in capturing future operations.
- Population growth, convenience and higher income levels are major drivers for growth in GA.
- Rialto's current and projected demographic characteristics are not conducive to GA support.
- More land use conflicts will tend to occur as additional residential development locates closer to airports.
- Closure and replacement of a GA facility is possible, but requires GA to be as well or better served, in accordance with FAA policies and airport closure procedures.
- Nearby competition for GA operations is substantial and may limit Rialto's market share.

Current Airport Conditions

The Airport encompasses roughly 453 acres of land in northwestern Rialto (see Figure ES-2, *Asset Strategy Map*). Two runways operate at the airport: Runway 6/24 with dimensions of 4,500' x 100', and Runway 17/35 at 2,644' x 50', together with associated taxiways. Approximately 157 hangars are provided at the Airport, as well as aircraft tie down facilities for 180 airplanes. Figure ES-3, *Current Airport Layout*, details the runways, taxiways and major facilities. Only 30 to 35 of the 180 aircraft tie-downs available at the Airport are occupied because of the significant decline in based aircraft over the last decade or so. In 2004, City staff determined that there were 120 aircraft based at the Airport—a much lower figure than assumed in regional estimates. Only 11 twin-engine planes and one jet aircraft are in that count. Much of the available hangar space at the airport is leased, though some leases are below market value and approximately half of the hangar tenants' businesses are non-aviation related.

Mercy Air Helicopters generates 730 rotor wing operations annually at the Airport. The San Bernardino County Sheriff's Office Aviation Division generates 9,900 annual rotor wing operations. Caltrans Division of Aeronautics, based on acoustical counter readings, estimated in 1997 that there were 38,308 annual operations at the Airport. Later counts between 1999 and 2002 estimated an even lower count of 29,721 annual operations. Assuming a somewhat constant rotor wing operational level, this could mean fixed-wing activity is somewhere between 19,000 and 27,000 annual operations. The Airport has an estimated capacity of approximately 230,000 annual operations based on the existing runway configuration and current utilization is estimated at 13 to 17 % of capacity, based on recent Caltrans measurements.

A significantly outdated 12-year-old Airport Master Plan that envisioned substantial Airport expansion, including another runway, is still the main document that guides the Airport's development. The FAA rejected a 1997 environmental assessment on the Plan because, in their opinion, there was insufficient current or potential demand to justify the improvements. The FAA staff verbally indicated receptivity to a land release on the 135 acres of land acquired for expansion, but an application has not been filed. If sold, 90% of the sale proceeds would revert to the FAA. If leased, any income would need to be invested 100% in airport improvements, either at Rialto or another acceptable airport.

The Rialto Airport Specific Plan, encompassing over 3,100 acres, was developed in 1997 to provide a broader, long-term land use strategy for the Airport and surrounding area. It has led to infrastructure improvements and some land use changes. Planning for the entire area needs to be updated, including new CEQA and NEPA environmental documents covering such key areas as traffic, noise, and hydrology/water quality. Fortunately, toxics at the Airport proper appear not to be a problem, although ground water contamination in the form of a perchlorate plume in the area is of concern.

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Figure ES-2 Asset Strategy Map

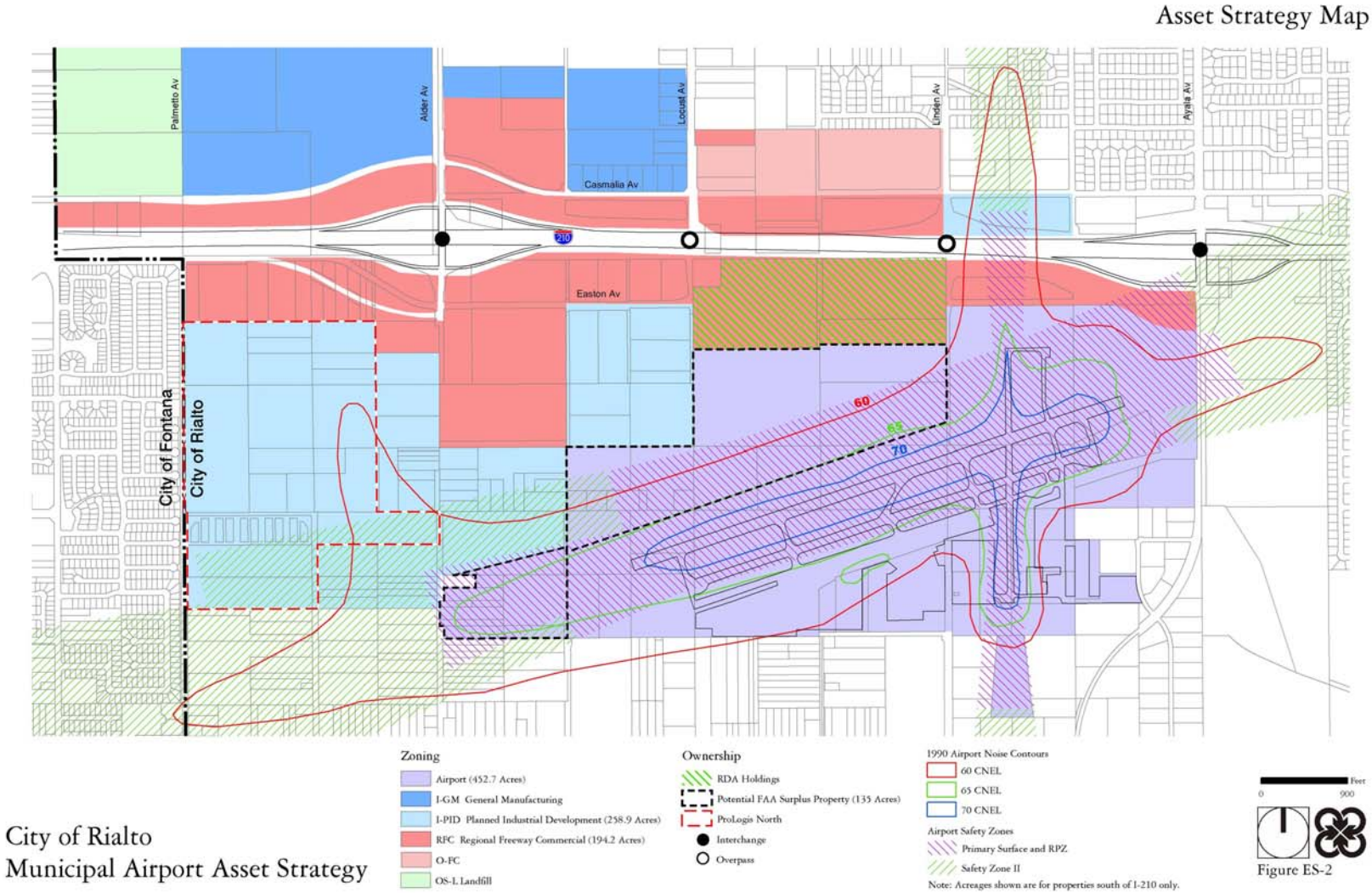

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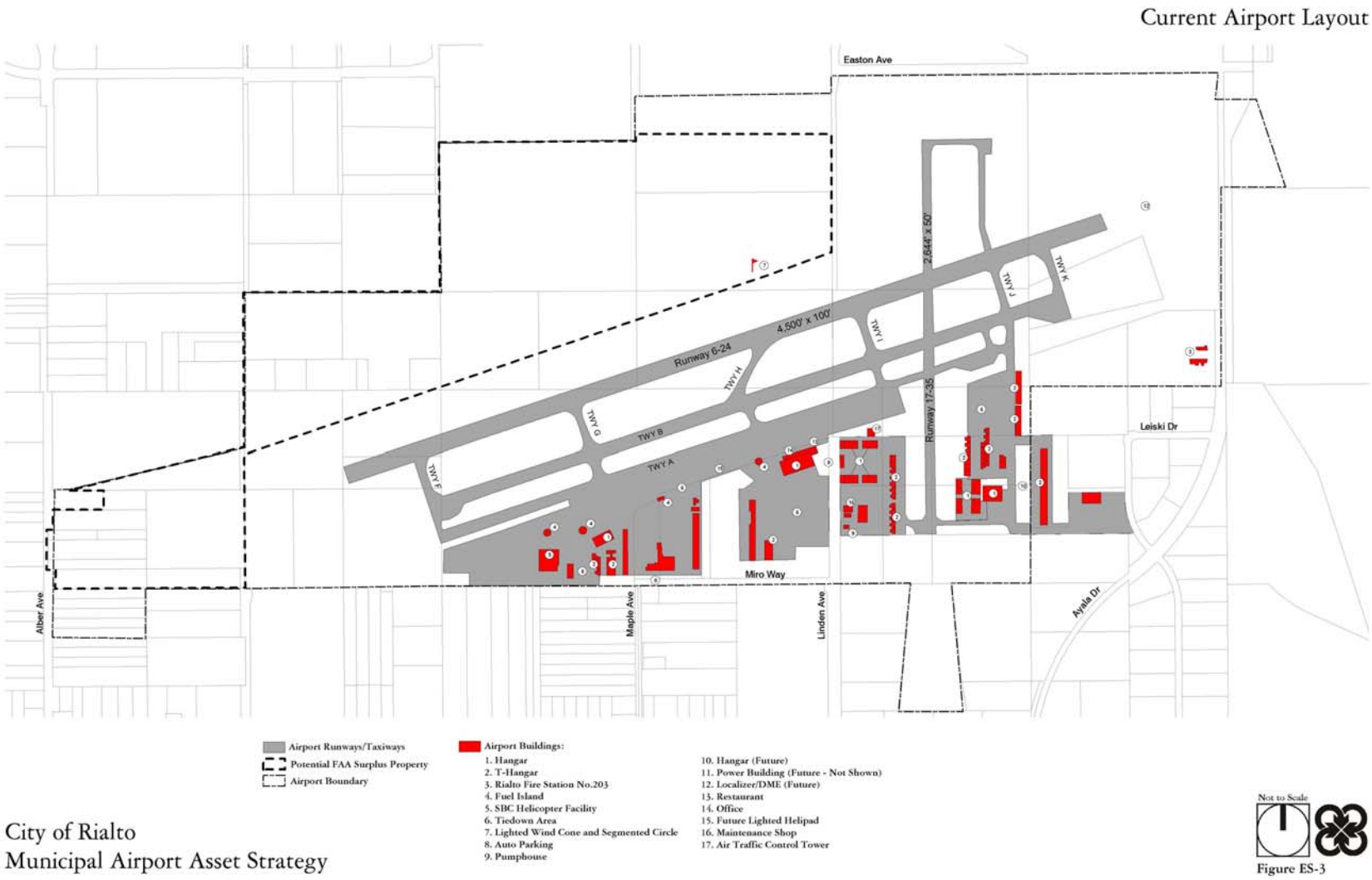
Figure ES-3 Current Airport Layout



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The Airport's Potential

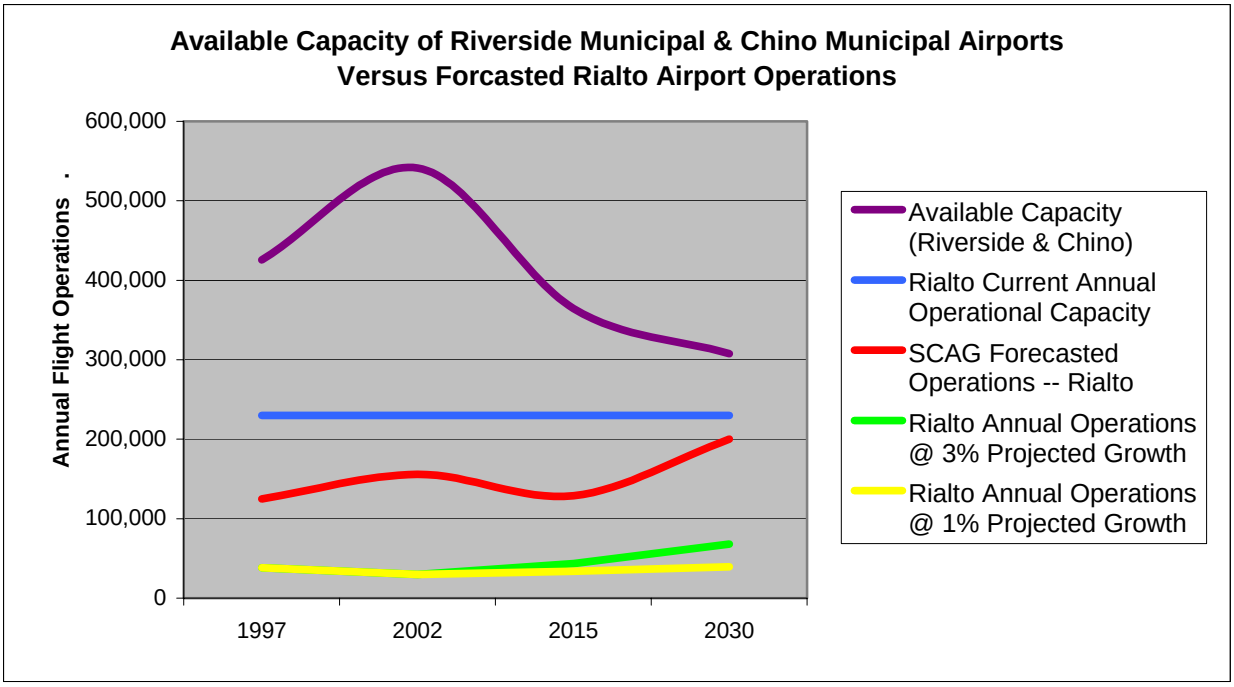
Part of the difficulty in assessing the Airport's potential is the lack of reliable aircraft operations data. Estimates of 125,000 annual airport operations in 1997, contained in SCAG's 1999 General Aviation Forecast, contrast sharply with Caltrans estimates of about 38,000 operations for the same year. Caltrans figures for a later period are even smaller. Both Caltrans figures are based on actual noise measurements taken at the Airport. Thus, SCAG's 2003 forecast of 128,750 operations for 2015 is certainly questionable, and a 2030 forecast of 200,000 operations seems impossibly aggressive based on operational patterns, even though that figure is within the Airport's capacity. Adjusted Airport operations forecasts, based on Caltrans measurements, only take projected operations to a maximum of 68,000 in 2030, using an unrealistically optimistic 3% per year compound rate of growth, or roughly one-third of current capacity. A far more likely rate of change is 1% per year or less. That could yield a 2030 operational level of 40,000 operations or even less. A virtually flat rate of change is not at all impossible.

While the SCAG numbers conflict with other data gathered about the Airport, they are published in regional documents for planning purposes and are consistent with both Caltrans and FAA published statistics for the Airport. In order for any Airport option to be carried forward, the disparity between published regional, state and federal operational estimates and forecasts, Rialto's own Master Plan projections, current actual Airport statistics, and realistic forecasts must be resolved.

Federal forecasts of general aviation activity through 2014 envision a 0.7% annual increase, with the business jet growth component increasing at 3.6% per year. It is important to note, however, that the 3.6% rate is included in the .7% figure. That means that the actual projection for single engine propeller driven aircraft—almost exclusively the type using the Rialto Airport other than rotor wing aircraft—is closer to two-tenths of one percent. It is uncertain how applicable these growth factors are to the Rialto Airport. On the one hand, subregional development growth forecasts are highly optimistic and would suggest increased general aviation activity in parallel. On the other, the Rialto Airport operations do not appear to be reflecting that growth, and future economic conditions in California are at best problematic. Given the number of GA facilities located in proximity to the customer base and the aggregate capacity of these facilities, Rialto faces stiff competition for capturing additional market share now and in the foreseeable future.

It is relevant to note that current operational data and forecast operations are difficult to obtain from the nearby airports. Only two have recent master plans that provide a solid basis for these numbers: Chino and Riverside Municipal. Just those two, however, have capacity for more than 300,000 annual operations beyond their own forecast operations. That does not count San Bernardino International Airport, which estimates it can readily handle an amount of additional operations equal to Rialto's level by itself. This leaves Brackett Field, Corona Municipal, FlaBob, Cable, Ontario International and Redlands airports that offer additional capacity. Limited business aircraft capacity may also be available in due course at March Inland Port. This picture is summarized on Figure ES-4, *Available Capacity vs. Forecasted Annual Operations*. It graphs the available operational capacity of Chino and Riverside Municipal Airports. The graph clearly depicts a substantial excess capacity at these two airports—more than sufficient to absorb even the unrealistically high level of operations for Rialto contained in the published SCAG forecasts. This operational capacity is even greater in relation to the more likely lower operational levels anticipated at Rialto.

Figure ES-4 Available Capacity vs. Forecasted Annual Operations



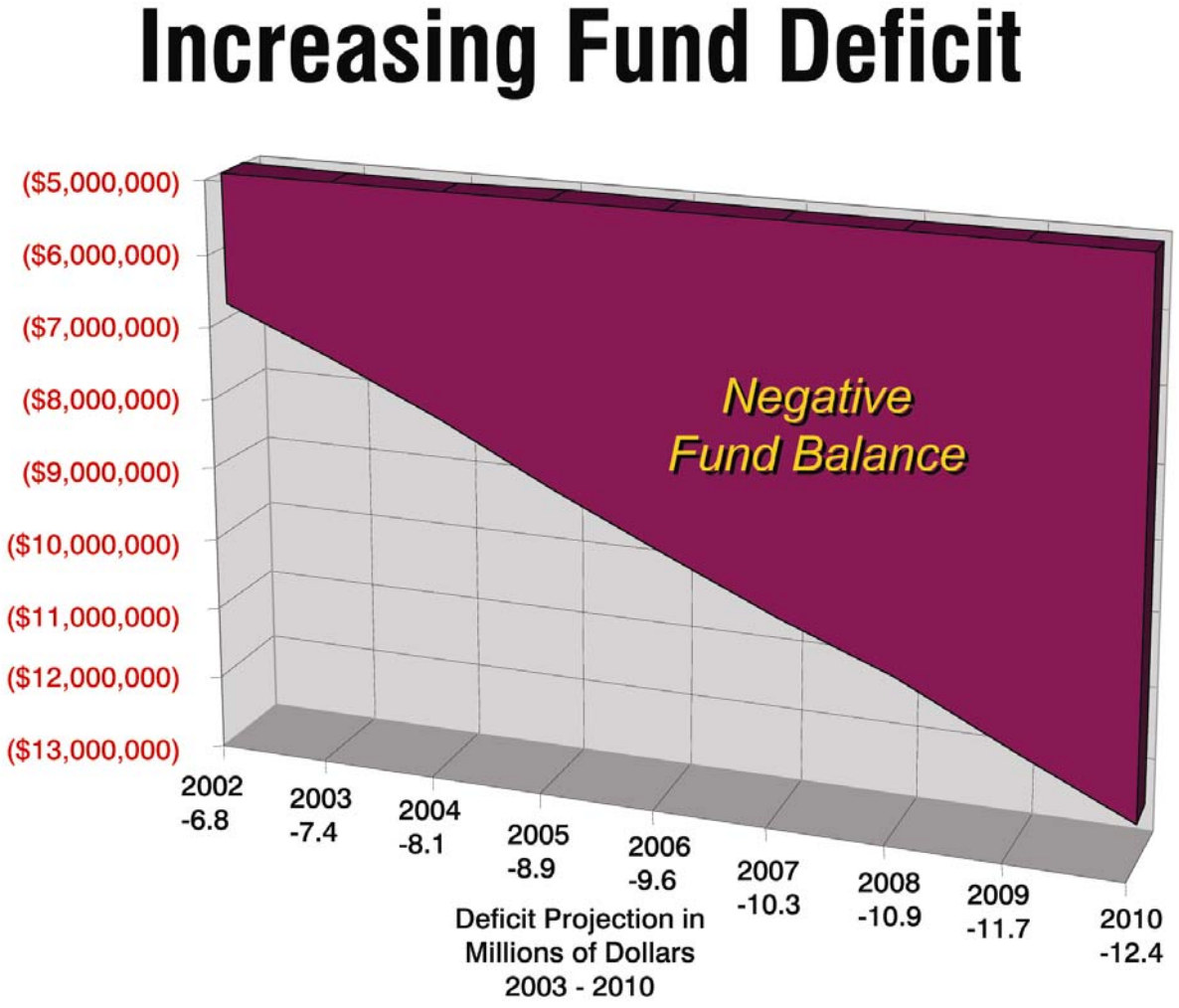
Fiscal Considerations

The Municipal Airport is operated as an enterprise fund of the City of Rialto. The City has used grants from the State and Federal governments as the predominant sources for acquisition and development of the Airport. The City has also made contributions in the form of loans from the general fund and other special funds to pay for certain improvements and for matching grants.

Use of the Airport's public and leased facilities generates a variety of revenues including building and land rentals, fuel flowage fees and other user charges. The Airport operational budget and costs have been kept to the necessary minimum in order to stay within ongoing operational revenues. Significant maintenance and development needs have been deferred for lack of funding within the Airport Fund or from other City funds. However, the Airport's current revenue stream is not even sufficient to offset the depreciation costs of the Airport itself, or to repay the General Fund and RDA loans.

The City of Rialto Airport audited Balance Sheet as of June 30, 2002 shows assets of $15.7 million, representing investment in land, buildings and equipment. The liabilities total $5.6 million, leaving the residual fund equity at $10.1 million. Within the Fund equity, contributed capital represents $16.5 million and retained earnings show an accumulated deficit of $6.4 million. This deficit continues to grow each year since Airport revenues are unable to cover the depreciation costs or the full debt service obligations. Continued losses from 2004 over the next several years could total over $12.5 million by 2010. See Figure ES-5, *Increasing Fund Deficit,* for a graphic representation of this fiscal reality.

Figure ES-5 Increasing Fund Deficit



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Over $9 million in FAA funds have been expended at the Airport since 1968 for land acquisition, the largest being in 1992 to accommodate the then proposed additional runway. Approximately another $6 million was used for runway improvements. FAA grants impose a 20-year obligation to keep the Airport operational. Current obligations will need to be clarified in dialogue with the FAA. In any case, these obligations run for a considerable period of time, during which the City would be well advised to select a course of action that leads to successful resolution of the Airport's future.

The City owns a considerable amount of valuable real estate. However, all 453 acres benefited from FAA participation in their purchase. That acreage is subject to special rules regarding the proceeds, depending on whether it is sold or leased. The debt owed to the General Fund and RDA could be partially offset by sale of some of the land and could be completely eliminated if the price of unimproved land in the area increases significantly above the current estimated value of $2 per square foot (a value that takes into account the demolition and land preparation required to facilitate its reuse). In order to make the Airport "debt free" by 2010, the land would have to escalate in value over 15% per year—not impossible given the advent of the I-210 Freeway and the continued dynamic Inland Empire economy—but not assured, either. It is also critical to note that, because all of the land was acquired with FAA assistance at a ratio of 90% FAA/10% City of Rialto, sale proceeds would be shared on the same ratio. If any of this land were to be leased, proceeds would have to be invested in Airport improvements.

The Airport Options

Original Options Considered

Nine options were initially identified in this study. The options analysis was conducted on a general level as a means of screening them down to a much smaller number for more detailed subsequent analysis.

The reason for identifying options is to eventually reach the point at which one or a combination of them is determined to be the best choice. From the beginning it was understood that some were mutually exclusive and others were capable of being combined. The nine options identified for the Rialto Airport at the beginning of this Phase I asset strategy study, were:

1. Airport abandonment;
2. Airport closure and reuse;
3. Airport replacement;
4. Long-term airport redevelopment;
5. Short-term airport redevelopment;
6. Partnership;
7. Specialized aviation facility;
8. Continued airport; and
9. Enhanced airport.

The broad examination of these options has resulted in a much clearer picture of the nature and implications of the choices facing the City. No additional options have been identified through the planning process. However, variations on these themes have emerged. For example, a partnership could take the form of co-development (the City and a private developer) of non-aviation properties or it could go so far as selling the Airport to a private developer or consortium, with specified revenues accruing to the City.

Options Not Recommended

Of the nine original options considered during this process, three are **not** recommended for further consideration: Airport abandonment is not recommended because legal and fiscal consequences as well as interest group pressures associated with it could be devastating to the City and delay any positive development activity for years. For a similar reason, near-term Airport closure and reuse, without replacement of aviation operations, is not a viable option. The enhanced (expanded) Airport option is not recommended because of the significant financial commitment required of the City, limited potential GA growth—especially in light of the negative FAA reaction in 1997 to airport expansion—and substantial additional costs involved that the City would have to bear.

Options Recommended for Further Study

Two basic options—a Continued Airport option and a Redevelopment option—merit more detailed investigation. As anticipated, certain other options can contribute to each of these recommendations, but to different degrees.

The Continued Airport Option

The Continued Airport option involves retaining the Airport, either in its present or a scaled-back configuration (Figure ES-6, *Reduced Airport Layout*, indicates the potential for as much as 250 acres of land that could be developed for non-aviation uses under this option). Specialized aviation activity**,** such as helicopters, might be a component, but this option by itself is not seen as a viable direction. Partnerships in the short and long term redevelopment of surplus parcels would also be appropriate with this approach. Both the Continued Airport and Redevelopment options share strong development/ redevelopment components. They would differ in scale and timing of redevelopment. Both options would require an updated development plan to provide a defensible planning basis, along with the necessary environmental documentation.

This option has merit because it could, under the right circumstances, serve as a means of developing a contemporary industrial/commercial complex with direct GA access as an attraction to businesses. It would also be perceived by the FAA, AOPA and other aviation interests favorably and thereby avoid the often controversial and sometimes exceptionally costly process of seeking to relocate the airport. If successful, this option could combine some of the strongest attributes of airport and development/redevelopment activity. There are risks, of course, and they would have to be evaluated in relation to potential gains. The risks relate to: 1) the actual ability of the airport to capture additional market share and improve its fiscal performance and 2) the quality of development/redevelopment that occurs.

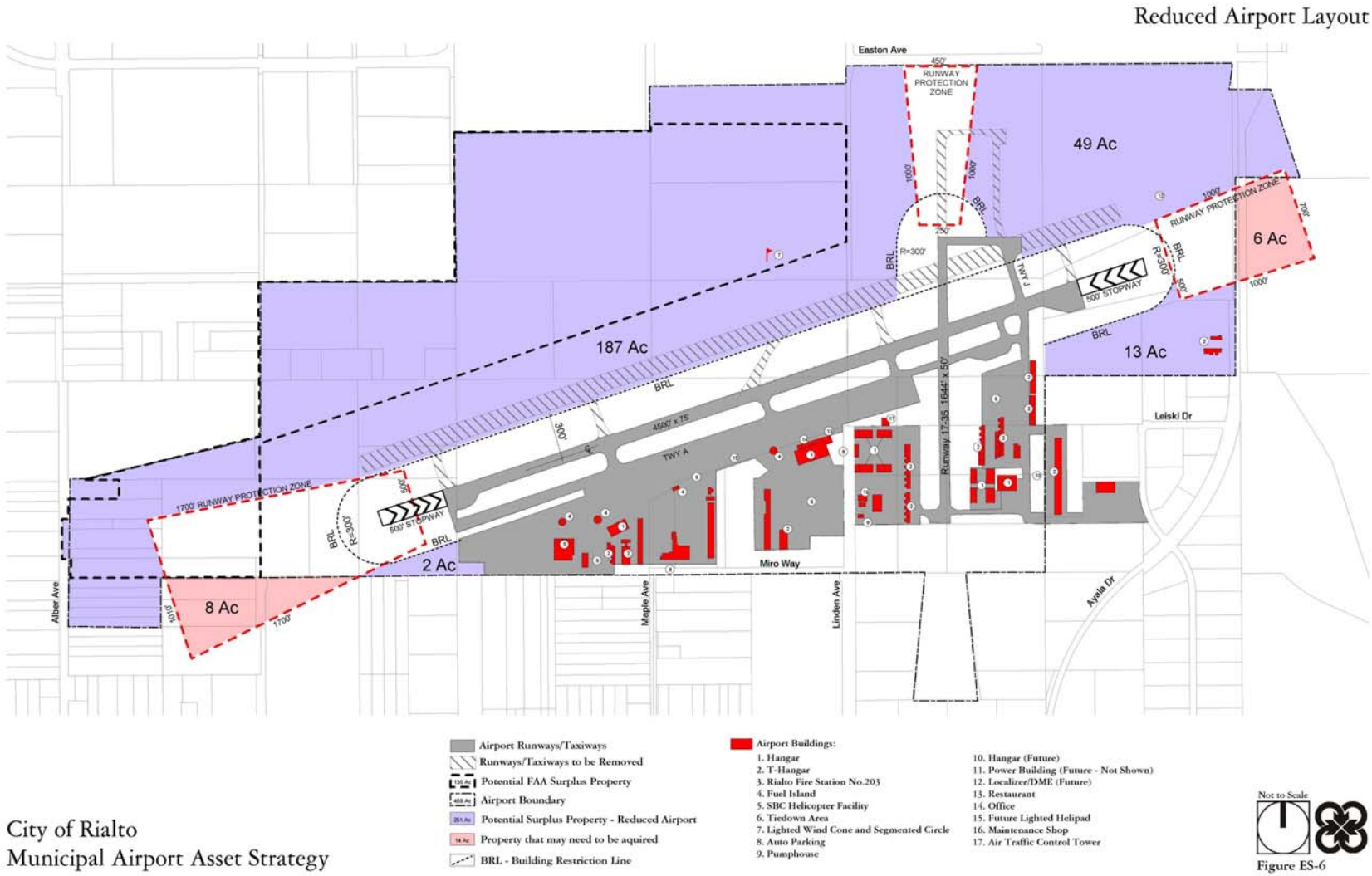
There are several other important implications:

- The City would have to find a way of sustaining the airport while development/redevelopment activity generates new sale or lease revenues to reverse the projected deficits. Initially, this could at least occur on the 135 acres now considered surplus and perhaps up to another 115 acres as well.

- Airport modifications may be prudent, including the possibility of reverting to the pre-1992 configuration as a means of making more peripheral land available for development. This would require FAA involvement.

- Residential uses on the airport property would be precluded.

Figure ES-6 Reduced Airport Layout



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- A new master plan and environmental document would need to be prepared because the current 1991 plan is completely outdated. This would include updating the operational estimates and projections for the Airport to resolve the widely disparate figures identified in this report. These new figures should also be incorporated into appropriate regional, state and federal planning documents.

- A partnering arrangement with private development interests is worth exploring to: 1) capitalize on developer interest and 2) offer a means of generating new revenue with costs being shared between the developer and the City.

- This option would not preclude revisiting the situation at some later date if financial performance, land development activity and aviation operations fail to reach adequate levels. The City could then shift to the Redevelopment option that includes Airport replacement.

The Redevelopment Option

The Redevelopment option involves eventually replacing the Airport and achieving the maximum possible level of redevelopment on the Airport property. It should include both short and long-term redevelopment components. Various forms of public/private partnership are worth considering. The keys to its success are 1) gaining consensus that this is the best way to serve the general aviation community as well as the City and 2) developing/ redeveloping the Airport property in increments that generate continuing economic benefits for the City.

If the City opts to close and replace the Airport, such a process is available through the FAA. However, it is rarely used and even more rarely successful. The process must result in demonstrating that the general aviation community is better served by closure and replacement than by continuing the Airport in operation. While no experience elsewhere directly matches the Rialto situation, the cases investigated suggest that:

- Replacement of the Airport at an equal or superior facility is essential;
- The very influential Aircraft Owners and Pilots Association (AOPA) is likely to strongly advocate retaining the Airport;
- The FAA may also take a strong position to retain the Airport;
- The process could take considerable time and be costly to the City;
- A defensible and well documented plan must be the basis for such a significant change;
- The requirements to initiate a closure and replacement process are clear, but the process itself consists mainly of extended negotiations and must be thoughtfully designed in advance;
- Failure in addressing these points may result in legal actions and delays that could be extremely costly to the City; and
- Special legislation and lobbying efforts may be necessary to facilitate closure and relocation.

Numerous legal issues remain for more focused analysis by someone with extensive experience with FAA application procedures and environmental requirements.

Many interests would, of necessity, be involved in exploring the remaining options. They would include the City, County, SANBAG, Caltrans, FAA, the AOPA, airport tenants, business interests with a desire to develop/redevelop the Airport and adjacent property, nearby residents, and owners and operators of nearby airports. Consequently, when the City determines its preferred course of action, these interests will need to be taken into consideration in designing the necessary planning process.

The Redevelopment Option has merit if the aviation operations can eventually be replaced at one or more nearby airports and that direction can be resolved without the typically long and costly battle experienced by other communities involved with airport closure/replacement situations. There is available capacity at nearby airports, both existing and projected. This option could generate significant increased value and revenues for the City if economic growth and strategic marketing by the City succeed in attracting high-value businesses over the short and long-term. The amount of acreage available under this option—all 453 acres—is a significant economic resource, although only 10% of the proceeds would revert to the City under current regulations.

There are several important implications:

- The City would have to aggressively pursue development strategies that capitalize on the strong economic growth of the sub-region. That may require being selective regarding proposed uses so that a balanced mix of commercial, industrial and residential uses is accommodated.

- Because it could take considerable time to negotiate a replacement strategy, the City would need to pursue the same diligence regarding Airport operations in the short run that applies to the Continued Airport option—along with associated costs.

- It is imperative that an inclusive process be devised and implemented involving aviation interests to achieve consensus that replacement is feasible and preferable from GA and City perspectives.

- In the long term, residential development could be part of the use mix on the property.

- A new master plan would be required to guide the use transition and insure that short and long-term uses are compatible.

- Complete documentation of operational levels and reasonable forecasts based on that information will be essential. It is also critical that regional, state and federal agencies incorporate this new data in their planning documents.

- A land release should be pursued on the portions of the Airport property that could be developed without constraining continued GA operations until airport replacement is achieved. However, if sale is contemplated, it should be timed to capitalize on land value escalation related to the Freeway opening.

- The cost of relocating GA facilities and clearing the land for redevelopment must be reasonable and payable from the proceeds of the land sales.

- Once completed, this option obviously precludes any return to airport operations after its replacement.

- A partnering arrangement with private development interests is worth exploring in order to: 1) capitalize on developer interest, and 2) offer a means of generating new revenue with costs being shared between the developer and the City.

- The benefit to the City from this option is not the returns from land transactions but rather from the recurring revenues produced from development.

Concluding Remarks

The world of General Aviation (GA) has changed considerably over the last 15 years—nationally, regionally and locally. Despite planning for aggressive increases in aviation activity at the Rialto Airport in 1992, aircraft operations and based aircraft have significantly diminished. Forecasts indicate a potential growth of less than one percent from a current lower baseline nearer to 30,000 operations than the earlier 100, 000 or even more as stated in regional and other planning documents. Ten other GA-serving airports are located near the Rialto Airport and they provide not only strong market competition for limited GA growth, but provide considerable excess projected capacity as well.

This reality is combined with the current State and local government fiscal crises in which cities, especially, have had to absorb significant budget reductions in providing the critical services their constituencies expect. Airport funding is managed by the City of Rialto as a distinct Airport Enterprise fund and that fund now reflects a City subsidy of more than $6 million. That is projected to double in just another six years.

Two options for the managing the Airport asset have emerged from this analysis. One is a Continued Airport option that envisions a limited GA facility accompanied by the maximum feasible amount of commercial and industrial development. A scaled-back Airport configuration could facilitate making up to 250 acres of land available for sale or lease.

A second option would be a Redevelopment option that involves closing and relocating the Airport to one or more nearby facilities and developing/redeveloping the entire 453 acres and the surrounding acreage with a combination of commercial, industrial and residential uses. This option would entail successfully completing a challenging, but not impossible, relocation process.

Of the two options, the Redevelopment choice appears to be the stronger of the two based on the data available through this report. It could provide a "win-win" strategy for both the City and the GA community. Choosing this course of action and pursuing a subsequent action plan would be the most expeditious approach.

However, a more detailed analysis and fiscal "balance sheet" comparing the two options could be pursued to validate this initial conclusion—or, perhaps, demonstrate that the fiscal difference between the two is less than currently indicated. This would parallel the original concept of a phased study approach.

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I. INTRODUCTION

Orientation

The Rialto Municipal Airport (the Airport) occupies some 453 acres of land in the northwestern portion of the City of Rialto. It lies immediately south of State Route 210, which is currently under construction, and north of Baseline Road. Once the freeway construction is completed, along with the two interchanges designed to connect with local arterials in the vicinity of the Airport, this will be a strategically important location in the region. See Figure 1, *City of Rialto Municipal Airport Asset Strategy Map*, for additional descriptive information regarding the Airport and its immediate environs.

This report refers to a number of terms that may not be familiar to some readers. Please refer to Appendix A, *Glossary of Terms*, for clarification of key terms used here.

The Airport and the land it occupies are owned and managed by the City of Rialto. Planning for this facility—categorized as a B3 General Aviation (GA) Airport in the 2003 General Aviation System Study by the Southern California Association of Governments—has been somewhat turbulent over the last decade or more, resulting in uncertainty by the City and others interested in general aviation as to the future potential of this facility. In more recent years, the City has experienced an ongoing budget deficit in connection with the Airport (taking into consideration operations and extensive loan repayment obligations), which has caused the City to re-examine the financial commitment necessary to adequately operate the facility. This financial picture is expected to be worsened by the State of California's budget deficits and anticipated impacts on local governments.

Scope of Analysis

In the face of these financial circumstances and uncertainty about the future of General Aviation in this part of the region, the City undertook this study to:

- Evaluate aviation and non-aviation development options the City may consider to make the Rialto Airport property a valuable community asset;
- Identify options in the best interest of the City and the General Aviation community that merit more detailed analysis and evaluation; and
- Provide the City Council with sufficient information to enable it to provide appropriate policy direction regarding the future of the airport.

The primary purpose of the Phase I Strategy was to determine whether and under what conditions the Rialto Municipal Airport could be closed. If closure was determined to be a viable option, then a second phase analysis would be designed to evaluate the costs, benefits and implications of viable aviation and non-aviation development options to be identified as part of the Phase I report. As a context for the Phase I assessment, this Strategy report accumulates historical data on Airport operations and related fiscal and economic factors. This information will serve as a baseline for the more focused analysis in Phase II.

This report covers what is referred to as Phase I of the Airport Asset Strategy. The scope, presented in Appendix B, *Scope of Work*, was designed to consider a wide range of options at a general enough level to: allow for a credible comparison of options; avoid the necessity for costly technical studies; identify applicable issues so that there would be no categorical surprises in later studies; assemble available information in a convenient, current and readable document, and position the City to weigh the implications of a more limited number of plausible courses of action.

The scope was intended to generate a report of sufficient breadth and depth to focus subsequent phases of analysis on options that have true potential to benefit the City in the long run and still maintain or improve general aviation in the region. To that end, it covers:

- The Airport history and background, including obligations to the FAA;
- A description of the regional and subregional general aviation environment;
- The financial status of the Airport (current and projected);
- The decision making context, involving a number of topics that need to be weighed in setting policy direction;
- Assessment of nine original options for managing this asset;
- Description of the options remaining after that assessment for further consideration; and
- Development of additional recommendations based on the study findings.

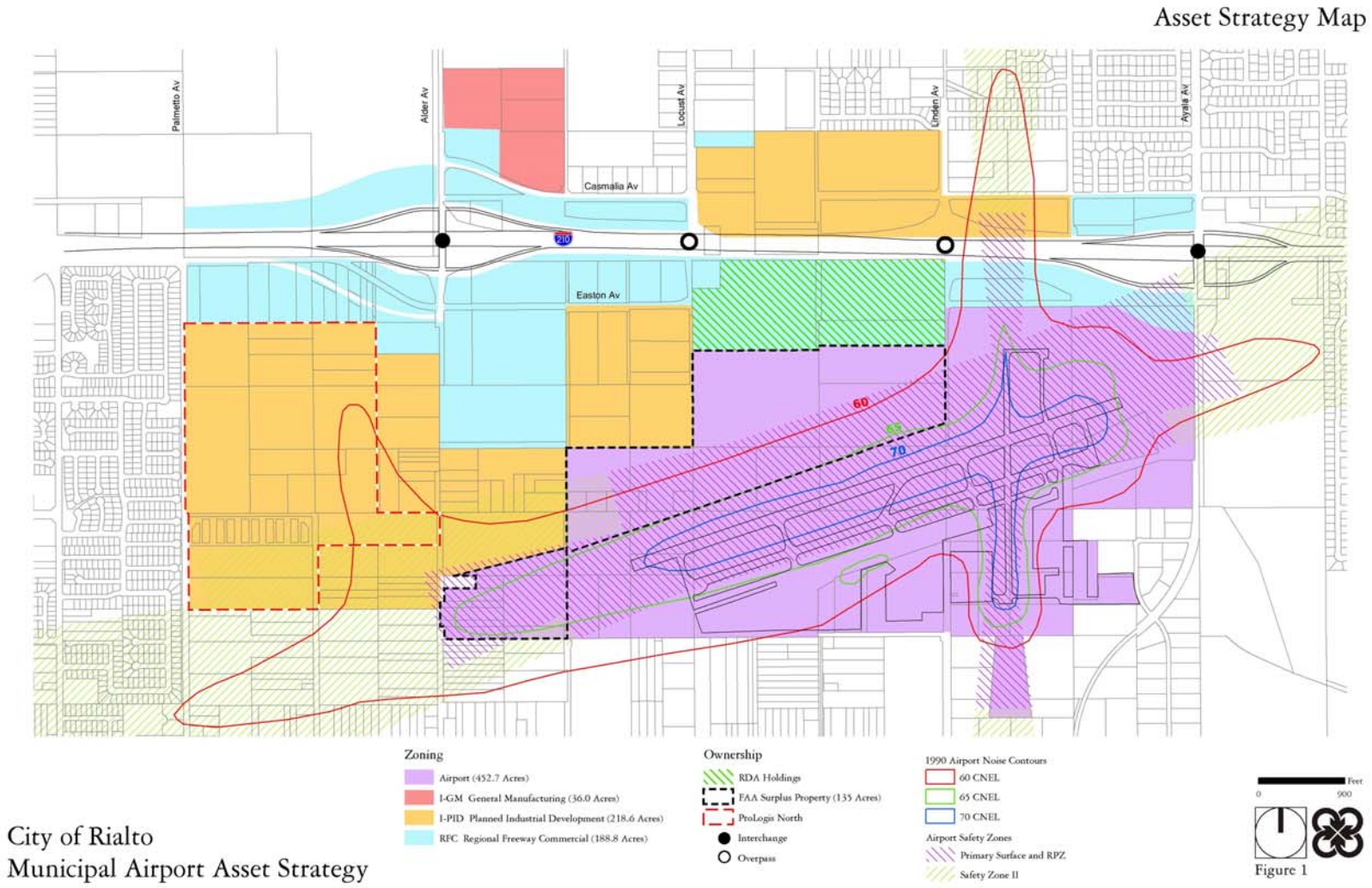
Thinking About a General Aviation Airport

A GA airport is many things to many people, and may differ depending on one's perspective. It is one element of our transportation system. It is not unlike a roadway—a link serving the movement of people and goods. Such and aiport can be an essential part of our community structure and, just as with a roadway, we do what we must to maintain its usability. General aviation is especially important where moving people quickly and transporting high value/time sensitive products are a priority. A GA airport can be a stimulus to economic development and can even contribute to the image of a community as one that offers contemporary and progressive business opportunities. GA airports serve both business and recreation flying interests—often concurrently. There is a big difference between GA airports that serve business extensively and function as a major factor in a community's economic development, and those GA facilities that are exclusively devoted to recreational flying. Even so, aircraft owned primarily for recreation purposes may double for business use. Access to recreational flying can also be a powerful attraction for business executives in or near the community.

General aviation airports are vulnerable to many pressures to eliminate them from the urban and suburban fabric. They may succumb to competition, economic shifts, encroaching conflicting development, political forces, inadequate funding, safety concerns and many other factors that threaten their survival. It is no wonder that the Federal Aviation Administration (FAA) and the Aircraft Owners and Pilots Association (AOPA) are on a constant vigil to prevent the loss of GA airports.

General aviation can also be a revenue source or revenue drain on local governments that own and operate GA serving airports. Local governments, especially in California, are faced with unprecedented fiscal problems, due the State budget deficits and its diversion of revenues from local government to solve the State's fiscal problems. It is highly unlikely that the current fiscal pressures on local government will subside any time soon. Consequently, expenditures by local governments are now open to additional scrutiny and reconsideration so that cities may continue to provide basic levels of services to their residents. If that jurisdiction happens to own and operate an airport, especially one with a declining constituency, this creates a dilemma regarding how fiscal resources are spent. Serving persons within the community understandably has to take precedence unless there is a very compelling reason to do otherwise. That challenge now faces the City of Rialto.

Figure 1 City of Rialto Airport Asset Strategy Map



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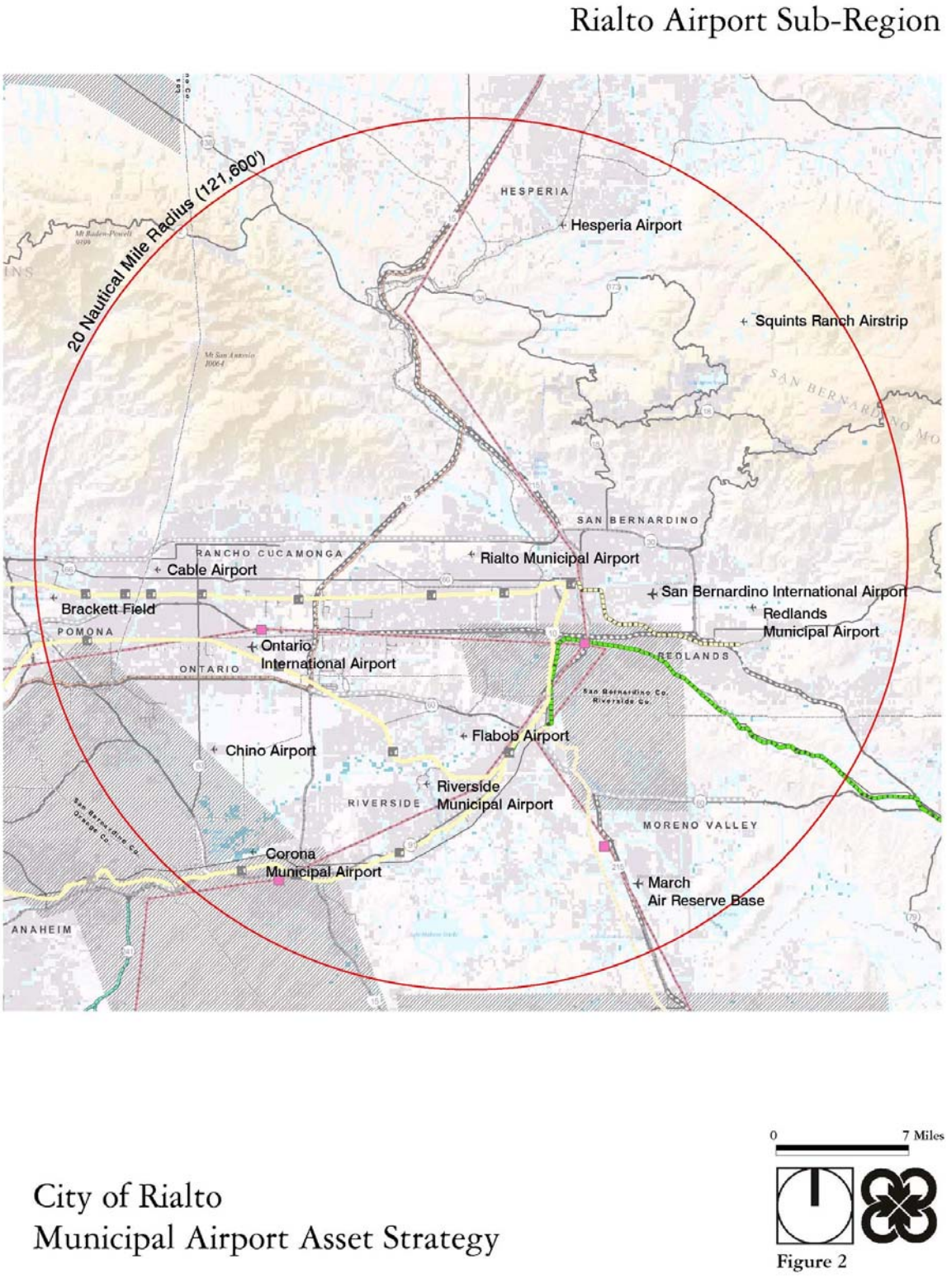
While general aviation involves a very small percentage of the traveling public directly, it can have substantial impacts on the economic health and potential of a community. The key in all transportation system management is to insure that a particular component serves its intended public in the most cost-effective and efficient way possible. That is the reason transit routes or schedules are shifted, roadways are closed, expanded or relocated, and airports are modified. This consideration is ever more pressing because of the increasingly difficult challenges faced by local governments in financing infrastructure construction, modification, rehabilitation and maintenance of all kinds. This applies as well for GA facilities, given shrinking revenues and other service demands placed upon cities. A key question for Rialto to answer is, what kind of ongoing investment or deficit is Rialto willing and able to bear now and in the foreseeable future to provide general aviation facilities that may have little or no economic benefit to the average Rialto resident and may, in fact, cause a reduction in local services to support a constituency that lives and spends elsewhere? So far, there is no observable synergy between the Airport and surrounding land uses.

In the case of Rialto, the general aviation "system" of which it is a part consists of twelve airports within roughly a twenty-mile radius that can serve an even larger area in terms of recreational flying. See Figure 2, *Rialto Airport Sub-Region*. Note that ten (10) facilities located within this radius are really relevant to the market area served by Rialto. The two northerly sites, located in the High Desert, are too remote to be considered competition. While convenience is an important consideration for recreational flying, comparative cost is probably somewhat more significant for the business segment of the market.

The point of this discussion is that many legitimate perspectives exist regarding GA. A multiplicity of interests and concerns should be kept in mind as the options facing Rialto are evaluated and focused.

Figure 2 Rialto Airport Sub-Region



II. BASIC GENERAL AVIATION UNDERSTANDING

An important input to the analysis embodied in this report came from a special workshop hosted by the City of Rialto to which a number of airport managers within the SCAG region were invited, as well as representatives from the FAA and Caltrans Division of Aeronautics. The City's consultants facilitated the workshop and City representatives also participated. The result, after considerable review and refinement, was a set of assumptions that attempt to reflect the reality of the larger general aviation picture as well as the Rialto situation in particular. The input of participants in this workshop, held in Santa Monica on December 11, 2003, was invaluable in understanding how Rialto fits into the regional and subregional GA environment.

Notes taken from this workshop provide insights regarding the perspective of local airport managers as well as the rationale for significantly modifying the draft assumptions that provided the beginning point for the discussion. These notes can be found in Appendix C, *December 11, 2003 Workshop Notes.*

1. Status of general aviation in the region

GA is heavily recreation oriented (over 80%), and is more heavily concentrated in business and population centers. It also includes a small but highly important business component, which also tends to be concentrated in the business and population centers. This distribution is further modified by the dual use of many recreation aircraft for business purposes as well. More business related aviation is expected to spread into the Inland Empire region as economic growth and business expansion take place here in line with broadly endorsed growth forecasts.

2. General aviation growth

GA will have no appreciable growth (1% or less annually) during the next 20 years, except for jet/turbo-prop business aircraft, with a probable growth rate as much as 3% annually. Beyond a 20-year horizon it is likely that GA growth rates in the Inland Empire may increase beyond these levels as economic and demographic changes there emulate earlier historic patterns in Los Angeles and Orange Counties.

3. General aviation as a fiscal/economic factor

GA airports are part of the transportation system and will require local subsidy in many cases, just as is the case with the governmental subsidy for other components of the transportation system (e.g., freeways and railroads). Federal funding assistance will continue to be a strong support factor, while state assistance is problematic. Over time, GA airports can become an economic development advantage/asset for those communities that offer this type of facility, depending on their location and the nature and extent of marketing effort by their owners/operators. However, a key to long-term success and community benefits is sustained leadership that champions the GA component of our transportation system, as long as the fundamentals—space, costs, convenience—can be sustained or achieved over time. It must be kept in mind that current cash flow is not a good measure of long-term value.

4. General aviation airport capacity

The operational capacity of our existing system of GA airports in the region is more than sufficient to accommodate currently projected future operational demand over the next 20 years. However, current capacity for hangars is not sufficient to meet projected demand within GA facilities located in LA/Orange County.

5. New/Expanded General Aviation Airports

No new GA airports will be established in the foreseeable future within urban/suburban portions of the region. Expansion of GA airports will not occur in LA/Orange Counties, but may occur in the Inland Empire. However, given the existing capacity in the Inland Empire, and the projected growth or lack thereof of GA for the foreseeable future, expansion of existing GA facilities is not likely to occur in the near term.

6. Competition among airports

Population growth, convenience and increased disposable income are the major drivers of growth for GA in the region. Competition factors for market share among general aviation airports include, but are not limited to, proximity, hangar availability, and pricing as well as differences in local marketing strategies. Generally speaking, those GA airports that are more conveniently located to the aircraft owners in the market area/region (population and business centers), and can provide hangar space, tie downs and other services at competitive prices, will be in a stronger competitive position and will tend to absorb more of the projected future growth in aircraft operations.

7. Land use and general aviation airports

Virtually GA aviation airport in urban and suburban areas experiences some degree of land use conflict with surrounding development. As additional residential development occurs nearby or in close proximity to GA facilities, more conflicts will tend to occur. As such, the future expansion of GA facilities in the Inland Empire is unlikely to occur due to these land use conflicts.

8. Timing

The growth of a GA airport in the region may take many years to materialize and depends significantly on the proximity of individuals and/or businesses with sufficient means to afford the high cost of owning and operating an airplane. As such, the continued ownership and operation of a GA Airport will require a sustained, long-term commitment of financial resources and leadership committed to a community vision in which a GA airport is believed to be a distinct asset that justifies its costs.

9. Environmental aspects of general aviation

Noise impacts may not be a major environmental constraint associated with aircraft mix because of current and projected noise characteristics of contemporary aircraft including, particularly, business jets. However, noise may be constraining in some cases because of increased numbers and hours of operations, sudden contrast with historic noise levels, or land use conflicts if noise sensitive uses are allowed near GA airports.

10. Legal implications of closure or replacement

There are prescribed FAA procedures, and some precedents, for closing an airport or relocating its operations to another facility. Any GA facility slated for possible replacement or closure must be prepared and able to ensure that the overall aviation system within the region will not be adversely affected, or may be enhanced by such an action. However, general opposition by aviation interests as well as the local financial implications makes this an unusually challenging course of action.

11. Rialto

The current and projected demographic characteristics of the City do not exhibit the requisite levels of wealth that would support extensive GA ownership within the City's resident base. Such market support would have to come largely from the surrounding communities such as Ontario, Upland, and Rancho Cucamonga, with scattered support from more distant locales where price competition would make a lengthy commute worthwhile. However, due to the number of airports located in proximity to the customer base, as well as their aggregate available capacity, Rialto Airport faces stiff competition for capturing additional market share now and for the foreseeable future.

III. AIRPORT HISTORY, FACILITIES, PLANS AND OPERATIONS

Airport History

The Rialto Municipal Airport (the Airport) was established in 1946 by Sam Miro, Senior. It was originally known as Miro-Fontana Airport. Under Miro's ownership, the Airport had one landing strip and three hangars. In 1966, when the City purchased the Airport, many improvements were made, most financed by the Federal Aviation Administration (FAA) and the California Division of Aeronautics. An initial $1 million FAA grant was secured for the airport with the assistance of then U.S. Congressman George Brown, representing Rialto. The original airport acquisition by the City from the Miro family included 60 acres of land. The airport presently comprises approximately 453 acres.

Newspaper articles from 1966-67 indicate that the City believed that construction of the Route 30/SR-210 Freeway was about to commence and that the airport would combine with the new freeway to create an economic engine for new development. It was felt that businesses migrating from the east and Midwest would be attracted to areas serviced by an airport that could accommodate the light twins and business jets that were rapidly gaining in popularity. The City expected to develop an executive airport that would cater to business users. It was expected that Ontario International would eventually become too congested/expensive to use, and this would prompt corporate users to look for alternative facilities. Rialto was going to provide a good alternative. The conversion of Norton AFB to a competing public use airport (San Bernardino International) was, of course, never contemplated at that time.

In the 1970's and 80's, the Airport gained notoriety as the home base for Art Scholl, the famed movie stunt pilot and air show performer. In 1986, the Rialto City Council rededicated the Airport as Art Scholl Memorial Field in memory of Mr. Scholl, who died in 1985. In its history the airport has supported such diverse uses as Mr. Scholl's aerobatic flight school, together with other flight schools, a repair shop for fire trucks, a radio installer and fabricator, and a succession of restaurants.

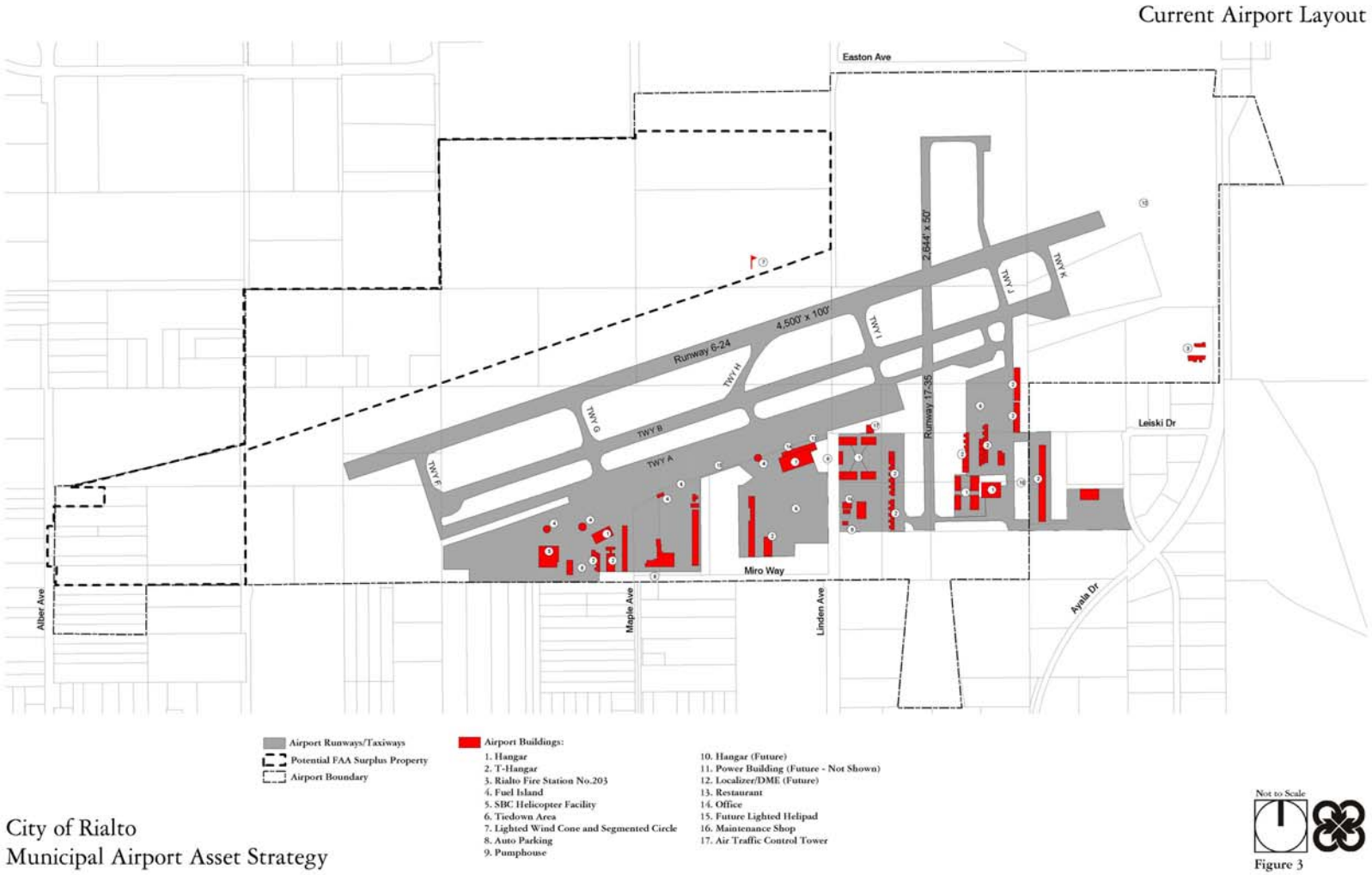
In the early 1990s there was one Fixed Base Operator (FBO) on Rialto Airport that specialized in training Japanese nationals to become commercial helicopter pilots. This school had more than 20 helicopters and airplanes based at Rialto and, at its peak, had 101 students at various stages of fixed and rotor wing training. It was estimated that the school produced at least half of Rialto's total annual operations. By 1995 the Japanese economy had experienced its significant downturn, taking this flight school down with it. Rialto's annual operations then dropped off sharply and have not rebounded.

Airport Configuration/Facilities

Physical Conditions

The FAA designates Rialto Airport as a B3 facility, meaning that it can accommodate small corporate jets as well as lighter piston-powered aircraft. However, it does not presently serve the jet aircraft portion of the market (currently only one jet aircraft is based at Rialto). Two runway facilities are presently provided. Runway 17-35 is a 2,644' x 50' asphalt runway serving B-1 (small) aircraft. Runway 6R-24L is a 4,500' x 100' asphalt runway serving B-2 (small business jet aircraft). An expanded, 5,600' x 100' runway—included in the Master Plan but not contemplated—could serve C-2, large business jet aircraft. Rialto's current operational capacity is 230,000 annual operations, per the November 1998 Environmental Assessment for the Master Planned parallel Runway 6-24. See Figure 3, *Current Airport Layout,* for a graphic summary of current airport improvements.

Figure 3 Current Airport Layout



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Construction of the existing main Runway 6-24 included the undergrounding of pole-mounted utility services along Laurel Ave. and Alder Ave. to accommodate obstacle clearance for the existing and parallel runways as well as extension of the existing runways. The project also lowered underground utilities that run under the runway along the prolongation of Linden Ave. through the Airport. A dry sewer line was installed to service future development north of the runway, on and off the airfield. Additionally, a federal Economic Development Agency grant funded the extension of a water main along the east side of the field that brought water service to the southeast part of the field to support planned development. No further improvements on the Airport property are now contemplated pending the recommendations expected from this asset strategy study.

Airport Tenants

Major tenants are described more fully in Appendix F, *Additional Data*. Hangars used by the 18 current tenants have been at 100% occupancy for at least the past two years. However, about 30 of the smaller hangars are being used for aircraft parts storage, small business operations, or non-aviation related storage, and 10 of the larger hangars are used for non-aviation purposes. Five to ten additional pilots are presently on a waiting list for aircraft hangar space. The Rialto Fire Department also uses two acres for its Department Airport Station.

The San Bernardino County Sheriff's Office Aviation Division generates the most "business" operations (mostly rotor-wing with a smaller number of fixed-wing) at the Airport with their 24/7 helicopter patrols of the cities in the valley and their training and search and rescue operation. The Office has indicated some interest in moving its aviation operations to facilities at San Bernardino International Airport (SBIA) - as soon as the necessary funding can be obtained. The Sheriff's representatives most recently talked about developing a regional or national training facility at SBIA. With a yearly ground lease of $1.00, and no aircraft property tax revenue, the facility lends some prestige to the Airport, but no revenue. At the end of the Sheriff's ground lease term, the improvements (which may amount to $3 million) revert to City ownership. If this operation did relocate within the next 22 years, it would probably keep maintenance and/or storage facilities at Rialto for the remainder of the lease term.

Mercy Air Ambulance is the second of the Airport's primary tenants and routinely operates their helicopters from their corporate headquarters at the Airport. They have indicated that they intend to renegotiate their ground lease with the City before it expires in 2007, due to their substantial investment in capital improvements on their leased land, and their satisfaction with the physical location and air space at Rialto. In the past, Mercy air also indicated that relocating to San Bernardino International may be an acceptable alternative, and stated that consolidation of the two airports made sense. If a new lease is negotiated at fair market value, it would presumably jump to $5,000-6,000 per month, or more. Further, the value of Mercy Air's based helicopters generates thousands of dollars of aircraft property tax to the Airport Enterprise Fund as well.

The R.E.D.A./Rialto Industrial Properties (R.I.P.) tenant is actually a partnership between private investors and the Rialto Redevelopment Agency. They operate 24 T-hangars on property adjacent to the east boundary of the airport. While the airport gets a small amount of aircraft property tax from the 10 or so aircraft stored there, the RDA receives about $18,000 per year as their share of the partnership net revenues. This share is interest on the repayment of debt related to the land sale occupied by the tenant and the remaining debt is due and payable in 2008.

Airport Tie Downs

There are about 180 aircraft tie-down spaces on the airport. The City directly controls about 150 of the 180 tie downs. About eight of the City-controlled tie-downs are occupied, as are the other 30, non-City controlled tie-downs.

Airport Management

Presently, the City's Director of Aviation & Solid Waste Management/Airport Manager, who reports directly to the City Administrator, oversees the day-to-day operation of the Airport. The Mayor, with approval of the City Council, appoints a five-member Airport Commission. The Commission, made up of interested citizens, meets monthly to discuss operations and advise the City Council and the Airport Manager.

Airport Master Plan

The Airport's future development, enhancement and growth is guided by the Rialto Airport Master Plan, which was adopted by the City Council in 1992, together with the Plan's certified Environmental Impact Report (EIR). Based on airport service levels discussed in the Master Plan at Airport Commission meetings between 1988 and 1989, and on the associated technical analysis, the city's Airport Commission and City Council approved in concept the near-and-long-term development plans described below.

Extend Runway 6-24

Runway 6-24 was to be extended 1,000 feet to the west and 500 feet to the east. The runway width and strength were to remain the same. The full 6,000 feet of runway was intended to allow full utilization by aircraft presently using the Airport. Any expansion of this runway beyond 6,000 feet would require north-south road closures in the airport vicinity, which has been deemed infeasible. Property has been purchased in order to accommodate this ultimate expansion but no extension has been undertaken.

Construct New Parallel Runway

A new short 3,600-foot parallel training runway was proposed to be constructed 700 feet north of Runway 6-24. The runway was proposed to have a width of 75 feet and a load-bearing capacity of 12,500 pounds. The runway was to be designed for operations by smaller general aviation aircraft and flight training operations. A full-length paved parallel taxiway was proposed along with the new 3,600-foot parallel Runway 6-24. The taxiway would be 40 feet wide and have three (3) access taxiways extending from the new Runway. The taxiway would be located 300 feet north of the new general aviation runway.

Provide Additional Aircraft Storage

The Master Plan shows two areas with approximately 12.47 acres that were to be available for proposed new hangars. Most of the area was proposed for storage of the projected based aircraft.

Action to date on these items:
Property acquisitions/replacements west and north of the airport occurred over several years to gain the land needed for the Runway Protection Zone of the longer Runway 6-24 and the new parallel runway and taxiway. The FAA provided 90% of the funds needed and the State participated in some of the costs. The FAA became focused on their internal goal of increasing capacity in the region. Rialto's planned parallel Runway 6-24 was to provide that increased capacity. FAA eventually said that no further grant funds for lengthening the main runway or anything else would be provided until Rialto demonstrated progress toward achieving that project. In 1997, an environmental assessment was prepared for the

proposed construction of Runway 6L-24R, entitled ***Environmental Assessment of Proposed Construction of Runway 6-24 at Rialto Municipal Airport***[1].

The City of Rialto paid $10,000 for the Environmental Assessment (EA) for the proposed Runway 6L-24R. FAA environmental review staff rejected the City's EA, citing that the City had failed to show an unmet demand for additional operational capacity at Rialto that would justify the expenditure of FAA funds on another runway. Since the City is unaware of any aviation operations forecast that suggests that Rialto will ever have an unmet demand sufficient to meet the FAA's cost/benefit test, the City has abandoned the concept of a future parallel runway. According to City staff, the FAA has verbally conceded that there is no reasonable expectation that Rialto's operations will ever increase to a level that would meet their Environmental Assessment cost/benefit justification for construction of a new runway.

With this, the new parallel taxiway to the north of Runway 6-24 and the twelve acres of new hangars are no longer deemed future projects at the Airport. The properties purchased for those uses are now considered to be surplus to the future aeronautical requirements of this airfield. Verbally, FAA staff has advised the City that they would be receptive to an application for a formal release of this land. A release would allow the surplus property to be sold at fair market value, with the FAA entitled to 90% of the net proceeds, or to be leased for non-aeronautical development (for instance, in a public/private partnership arrangement) with 100% of the net lease proceeds going to the Airport Enterprise fund.

Provide Aircraft Tie-down Area

An additional ten acres of aircraft tie-downs were proposed through the planning period. The majority of new tie-down pavement was intended to be to the north of the present terminal area, using the land left vacant by the closure of the then existing Runway 6-24 (now Taxiway "B"), in order to help meet the overall demand perceived at that time for aircraft storage capacity.

Action to date on this item:
While the existing runway was converted into the primary parallel taxiway for the new runway 6-24, the old taxiway remained in use as a secondary taxiway, therefore precluding this proposal from occurring. Demand for additional tie-downs has not materialized.

New General Aviation Terminal and Parking

The master plan also calls for the development of a new general aviation executive terminal and associated parking for the Airport. The building was intended to house airport tenant offices, waiting lobby, restaurant, rental cars, and airport administration.

Action to date on this item:
The Airport Master Plan used the Gulfstream II as the design aircraft for Rialto and forecast a number of charter and other regular operations by business jets. The proposed Terminal/Admin facilities reflected that forecast activity, which has not yet materialized. Likewise, further improvements to Runway 6-24 to accommodate Airplane Design Group (ADG) II aircraft—such as the Gulfstream II—have not been made.

Lighting and Controls

Proposals were also included in the Airport Master Plan for the installation of runway lighting, identifier lights, a Visual Guidance System for Runway 6-24, and a FAA-operated air traffic control tower.[2]

[1] *Environmental Assessment*

Action to date on this item:
Runway and taxiway lights, runway end identifier lights and a precision approach path indicator were installed for Runway 6-24. An FAA or contract air traffic control tower (ACT) was considered to be essential if Rialto were to have simultaneous operations on parallel runways. When Chino Airport built a taller new tower, the FAA donated Chino's old tower to Rialto. The Rialto RDA paid some $75,000 to have the tower moved to Rialto where it is now stored. With the elimination of the parallel runway and with the number of operations at Rialto, the cost of placing the tower into service cannot be justified.

Overall Actions to Date

The "action to date" sections above, describing the new runway, airfield lighting, drainage, and property acquisition, probably represent perhaps one quarter or one third of the overall Master Plan recommendations. Because the demand envisioned in the Master Plan has not materialized, virtually none of the rest of the Master Plan has been developed: no terminal/administration building, no new parking facilities for aircraft or automobiles, no instrument landing system, no ACT, no extension of the main runway and replacement/widening of perimeter streets. The City's Master Plan for the Airport has not been updated to reflect the changed perceptions of the reality of the feasibility of its implementation.

Other recent improvements to the Airport included the lengthening of Runway 17-35 from 1,644 feet to 2,644 feet and the construction of a parallel taxiway to serve that runway. The old 4,500' x 75' Runway 6-24 has been replaced by the existing 4,500' x 100' runway, and the old runway has been converted into Taxiway B.

At least 135 acres of the Airport are unimproved. This property was purchased for the proposed parallel runway and taxiway, the future Runway Protection Zones for that runway and for the extended main runway. If the existing main runway was abandoned and the airport returned to its pre-1992 configuration, up to an additional 115 acres could be converted to other uses (see discussion of this potential in Section VIII, Recommendations).

Airport Specific Plan

In 1997, the ***Rialto Airport Specific Plan***[3], was prepared to guide the development of the Rialto Airport Specific Plan area. The Specific Plan identifies areas along Route 30 (ultimately, I-210) and Rialto Airport Expansion areas as having extensive economic and growth opportunities. The Specific Plan identified the development of Route 30 through the study area in the following 10 to 15 years as offering substantial growth opportunities for commercial development along the freeway corridor. The Rialto Specific Plan provided a long-term development strategy for realizing the development potential for areas surrounding the Airport and Route 30. Key components of the strategy include the following:

- Development of strategies, which encourage and improve the economic and physical vitality of the area;
- Provision of development standards and design guidelines for future commercial, office, and industrial developments;
- Enhancements of existing developments in the area through landscaped streetscapes and buffers between incompatible uses;
- Preservation of existing residential neighborhoods;

[2] *EIR for Rialto Municipal Airport, p. 11.*
[3] *Final Rialto Airport Specific Plan*, November 18, 1997, by Robert Bein, William Frost and Associates

- Establishment of guidelines for the orderly implementation of the land use plan; and,
- Development of an implementation strategy that encourages and supports the economic and physical revitalization of the area.

The total Specific Plan area is 3,131 acres, including 1,604 acres of vacant land, about 50% of the planning area. The developed areas consist of the Rialto Municipal Airport (approximately 450 acres), the Mid-Valley Landfill (approximately 143 acres), the Cactus Basin drainage facilities (approximately 118 acres), and State Route 30 ROW (approximately 95 acres). Other existing uses included various industrial uses (approximately 362 acres), commercial uses along Baseline Road (approximately 10 acres), single-family and condominium residential developments (approximately 17 acres), Eaves Park (approximately 22-acres), and land occupied by public utility facilities.

Uses proposed within the 3,131-acre study area include residential, commercial, mixed use, industrial, public facilities, recreation and open space. See Figure 4, *Airport Specific Plan Land Use*, for the pattern of uses adopted within the specific plan. Phasing of the Plan was anticipated as a multi-year process that depends greatly on future market conditions. Parcels closest to Route 30, particularly those nearest the Alder Avenue interchange (completion was identified as 2006) were expected to develop first. It was anticipated that build-out would not occur for another +30 years

Non Aeronautical Airport Uses[4]

The Rialto raceway drag racing program operated for a brief period of time before the FAA required that the program be terminated in 2002. The activity interfered with airport operations, as it utilized a portion of the secondary parallel taxiway. Later, the FAA agreed to allow a variety of non-aeronautical activities to take place on the unimproved land on the north side of the airfield. In 2003, property use licenses were approved for an off-road racing program and for a sand drags racing park. A Go Cart operation leases two acres with a lease term that extends through July 2004.

Aviation Activity at Rialto Airport

Based Aircraft

Historical registered aircraft statistics for Rialto, as compiled in the Airport Master Plan and published in SCAG's 2003 GA forecast are shown in Figure 5. This figure illustrates graphically that growth in registered general aviation aircraft in Rialto has peaked and then declined as of 2001, whereas the respective numbers for San Bernardino County have continued to increase. It is important to note that registered aircraft records are tied to the owner's address, not the location of the aircraft itself. However, the extent of based aircraft decrease at the Airport seems to be in question. The SCAG-published statistics for the airport shown in Figure 6 indicate that there were over 200 based aircraft at the Airport, as recently as 2001. However, in 2004, City staff determined that there were only 120 based aircraft at the Airport, including 85 single-engine planes, 11 twin-engine aircraft, 22 helicopters, 1 jet plane, and 1 ultra-light aircraft. This discrepancy between the 200+ aircraft estimated by others, and the 120 aircraft determined by the City must be resolved. Projected based aircraft levels are not currently expected to increase significantly, thus the continued gap between older regional figures and more current data is reflected in Figure 6. The entire question of based aircraft forecasts will need to be revisited.

[4] "Rialto Raceway History", http://www.rialtoraceway.net/Rialtohistory.html

Figure 4 Airport Specific Plan Land Use

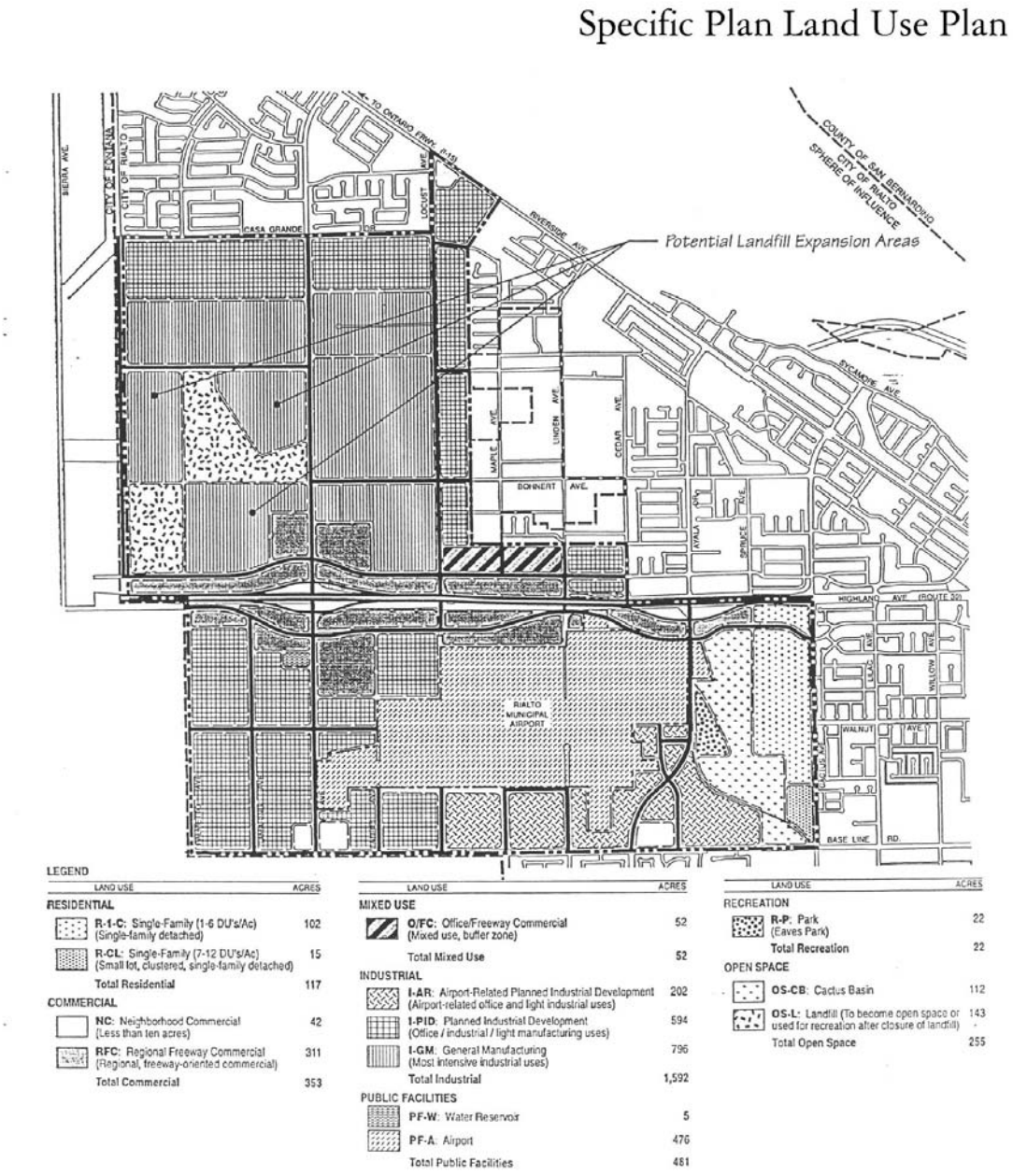


Figure 5 Historical Registered General Aviation Aircraft – Rialto and San Bernardino County

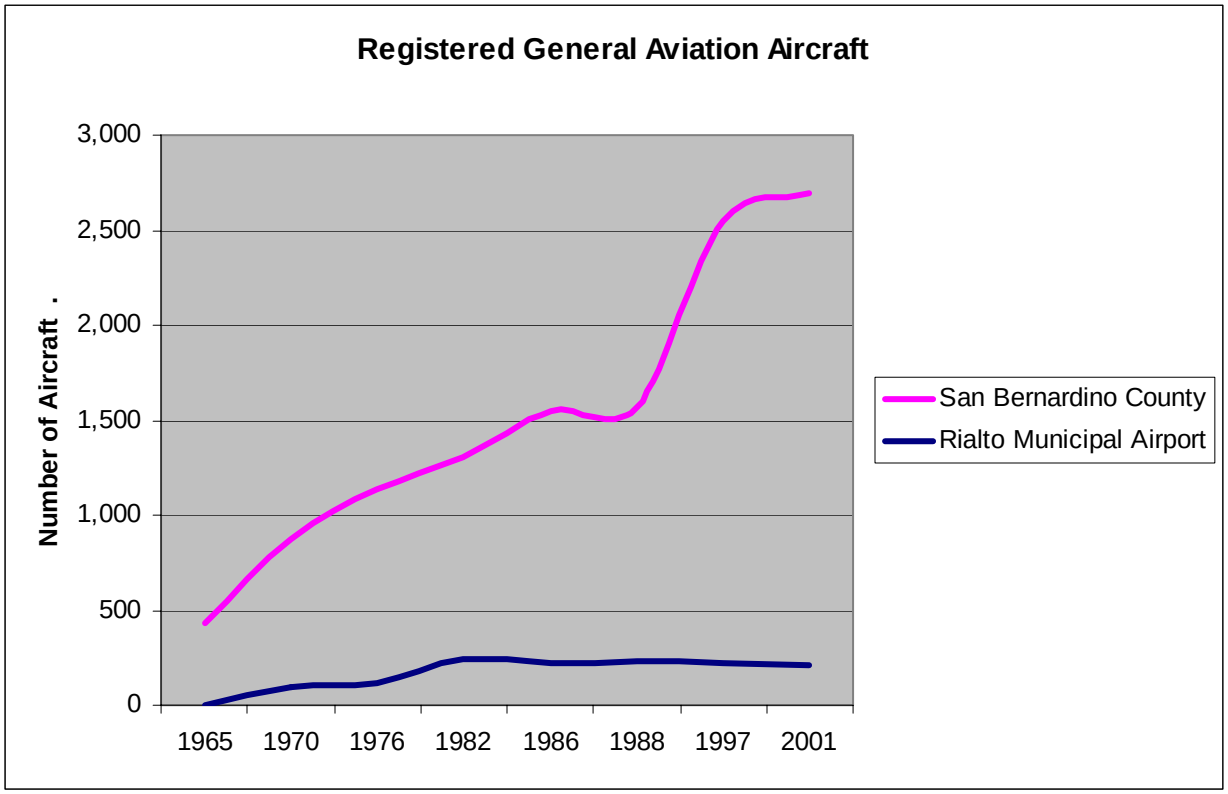
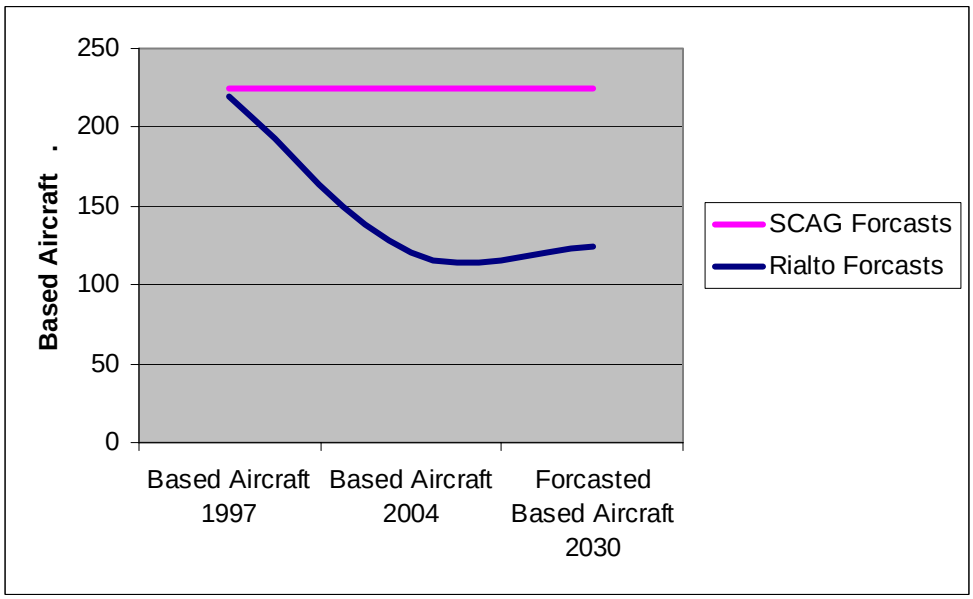


Figure 6 Historical and Forecasted Based Aircraft

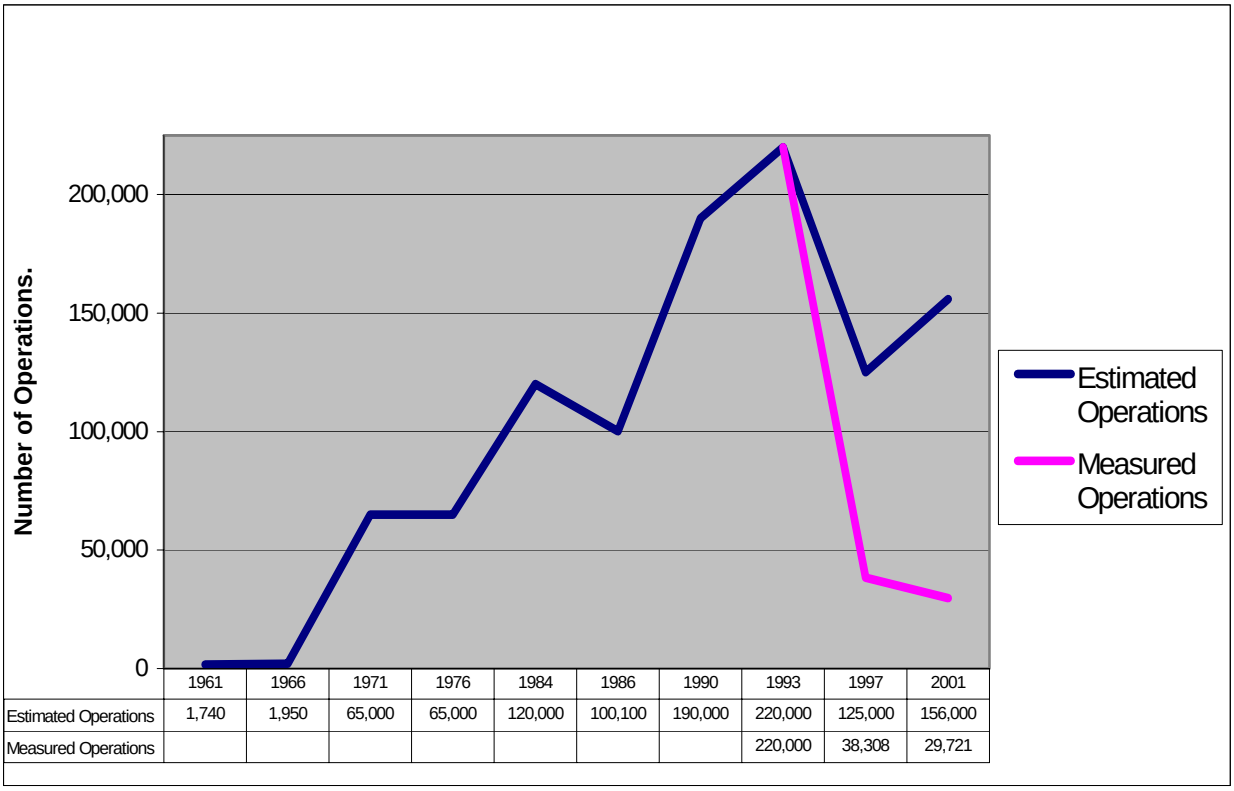


Aircraft Operations

Figure 7, *Estimated and Measured Aviation Activity*, charts the estimated annual aircraft operations in Rialto since 1965, as compiled in the Airport Master Plan and published in SCAG's 2003 GA forecast (Note that different sources state different levels of operations, however the general orders of magnitude reflected in Figure 7 are sufficient to convey the remarkable drop in operations during the last decade). By contrast, it also shows more recent figures based on measurements by Caltrans. An operation is described as a landing or takeoff, thus, every touch-and-go counts as two operations. At controlled airports, air traffic controllers tally operation counts. As Rialto is an uncontrolled airport, these counts are not available. For the tallying operations, the Airport must rely on estimates by those who prepared annual updates of airport statistical information for the FAA, which are general and imprecise in nature. While the FAA has stated that it does not view noise measurement-derived estimates (the methodology used by Caltrans) as accurate, the substantial gap reflected on Figure 7 cannot be accounted for merely by inaccuracies in measurement versus a decade-old set of estimates. A major part of the explanation has to be the extensive training operations that existed at Rialto in the early 1990s that are now gone.

Operations figures should be useful for understanding how busy an airport is, and for determining when the existing runway system might reach its theoretical capacity, the point at which operational delay becomes unacceptable to pilots. Other factors are closely tied to the number of annual operations, such as projected fuel sales, automobile parking requirements, and the size of noise contours.

Figure 7 Estimated and Measured Aviation Activity



	1961	1966	1971	1976	1984	1986	1990	1993	1997	2001
Estimated Operations	1,740	1,950	65,000	65,000	120,000	100,100	190,000	220,000	125,000	156,000
Measured Operations								220,000	38,308	29,721

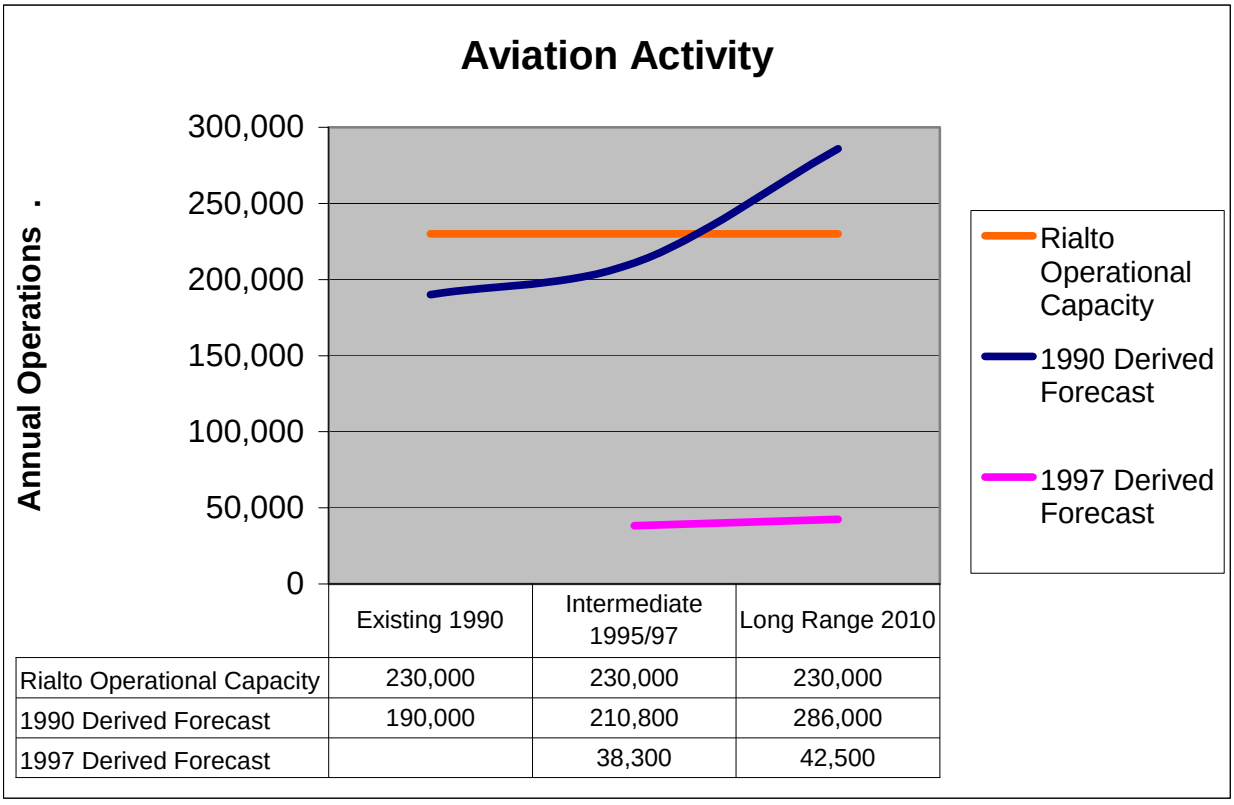
The data in Figure 8 would normally be useful for determining historical trends in based aircraft and aircraft operations. However, based on other data available to this study, as well as the observations of

City staff, it appears that SCAG and Rialto Airport Master Plan projections of future operations at the Airport (shown in Table 1) are now obsolete and extremely overstated—perhaps by over 240,000 operations annually.

At the time that the current Master Plan for Rialto Airport was under development[5], the Airport was nearing its operational capacity of 230,000 annual operations. The Master Plan estimated that there were 190,000 aircraft operations at Rialto Airport in 1990. Training operations accounted for about 54% of these operations. As shown in Table 1 below, the number was forecast to climb to 210,800 operations in 1995 and 286,000 operations by 2010. At that time there was one FBO flight school on Rialto Airport that had more than 20 based helicopters and airplanes and, at its peak, had 101 students at various stages of fixed and rotor wing training. By 1995 that flight school's demise caused Rialto's annual operations to drop to fewer than 100,000, far below the Master Plan's forecasts. The Master Plan's forecasts have further been rendered obsolete by the fact that the FAA has acknowledged that there is not now, nor will there be for the foreseeable future, sufficient operational demand at the airport to require the construction of a second runway. And that runway was a factor upon which the aggressive future projections were predicated.

The current regional forecasts were derived from Airport activity at an all-time peak. Return to such a level could only be accomplished by recapturing similar airport user groups with intensive flight programs as well as exceptional recreational and business aviation activity. By their nature, however, specialized training activities tend to be temporary in nature, at least at such elevated operations levels.

Figure 8 Conflicting Indications of Aviation Activity and Forecasts



	Existing 1990	Intermediate 1995/97	Long Range 2010
Rialto Operational Capacity	230,000	230,000	230,000
1990 Derived Forecast	190,000	210,800	286,000
1997 Derived Forecast		38,300	42,500

[5] The Master Plan was adopted in 1992.

Presently, the Airport's major tenants account for the following levels of annual operations:

- Mercy Air Ambulance: 730 annual rotor wing operations.
- San Bernardino County Sheriff's Aviation Division: 9,900 annual rotor wing operations.
- Additionally, one small cargo operation at the Airport generates a few operations weekly, and one corporate aircraft based at the Airport flies a few times weekly.

It is significant that available California Division of Aeronautics acoustical counter readings from 1997 resulted in an estimate of only 38,308 total annual operations for the airport. In analyzing counter readings from 1999-2002, an estimate of only 29,721 annual operations was generated. This estimate of annual operations in 1999-2002 is much lower than the estimate of 125,000 operations in 1997, or of 156,000 existing operations in 2001, which was included in SCAG's 2003 general aviation forecast. It is also significantly lower than any of the existing or forecasted operations numbers included in the City's older Airport Master Plan, shown in Table 1 below. The information shown there is largely valuable only to show how inflated the assumptions were that shaped the Master Plan (and that the FAA eventually rejected as being impossibly optimistic). Given that Caltrans' estimates of existing operations numbers seem to differ so dramatically from those numbers included in SCAG's baseline numbers in the 2003 General Aviation forecast, it is difficult to have confidence in the published SCAG projection of 200,000 annual operations for Rialto in 2030.

It is also worth noting that, if rotor wing operations are relatively consistent from year-to-year, they account for between 28 and 39 percent of the total air operations. This leaves fixed wing aircraft operations at approximately 19,000 to 28,000 annually, depending on which of the Caltrans estimates one uses for a total. It is this component of the operations that require solid documentation because the rotor wing operators keep accurate logs of flights as part of their administrative routine. Also to be confirmed is the extent to which rotor wing aircraft operations are or are not included in these estimate—a factor that could increase the number of operations, but would still be far below estimates used in current regional Plans.

Even more startling is the impact these recent lower estimates would have, even if growth were to occur at the same rate assumed in the top line of Figure 8. With 38 thousand operations in 1997 as a baseline, and discounting the two years between 1995 and 1997, the 2010 long-range projection would be roughly 113,000 operations and not 286,000. Later Caltrans estimates showed an annual operation level even lower—closer to 30,000 operations. That would make the long-range projection about 67,000 operations. However, a one to three percent annual growth from the estimated 30,000 operations in 2002 would yield a range of only 32,500 to 38,400 operations in 2010. Those percentages are generally accepted growth factors for general aviation as a whole and more sophisticated business aircraft, respectively. In fact, the real growth curve for single engine propeller driven GA aircraft is well below one percent. So a three percent growth factor for Rialto is exceptionally high, given that it has not penetrated the business aircraft sector at all. Adjusted figures shown in Figure 8, reflect a 38,000 base number for 1997 and a three percent growth from that base—an exceptionally aggressive assumption. A more probable growth curve would probably appear as virtually a flat line.

Such severe discrepancies demand that a concerted program for documenting aircraft operations be conducted by the City of Rialto. That is the only way to derive credible estimates and projections.

Table 1
Existing and Forecasted Aviation Activity [1]
Rialto Municipal Airport

Aircraft Movements	*Existing 1990*	*Intermediate 1995*	*Long Range 2010*
Annual Operations	190,000	210,800	286,000
Average Daily Operations	520	578	784
Annual Activity by Category			
Single-Engine	92,400	102,450	154,440
Multi-Engine	19,500	21,650	31,460
Jet	100	200	300
Helicopter	78,000	86,500	99,800
Local operations	102,650	113,836	143,000
Itinerant Operations	87,350	96,964	143,000

[1] *EIR For Rialto Municipal Airport, p. 13.*

IV. THE REGIONAL & SUBREGIONAL GENERAL AVIATION SITUATION

Regional/State Level General Aviation Forecasting

The Southern California Association of Governments most recent General Aviation forecast was published in 2003 as part of its General Aviation System Study. While it has been demonstrated in the previous section that the operations and based aircraft data and projections it contains for Rialto Airport are highly questionable, its general characterization of the state of General Aviation in the region and description of the status of competitor GA airports for Rialto provide interesting background and context for this study.

Generally, SCAG's latest forecast recognized the severe decline in general aviation activities in the early 1990s, but reflects an upturn between 1997 and 2001 due to changes in aircraft liability laws and the rise of corporate aviation. Even given the negative impact of the September 11, 2001 terrorist attacks, the corporate travel sector is identified as the very bright spot in the general aviation sector as a whole. However, while new corporate aviation is the most significant component of the limited increase in general aviation, SCAG's look at business concentrations in this region and their correlation with airport locations revealed that GA business flying at present is associated with the more urbanized western portion of the region and has not yet penetrated the Inland Empire. Rialto does not share in the business flying market.

While the Los Angeles core area is at capacity for general aviation services, the Inland Empire presently is not fully using its capacity. SCAG is anticipating this situation to change in the next few years due to the tremendous growth in the Inland Empire.

SCAG's 2003 General Aviation System Study identifies the "rapidly urbanizing triangle" of West San Bernardino County/West Riverside County/East Los Angeles County as containing airports conveniently located near major freeways, and having the highest concentration of pilots within the Inland Empire. These airports are projected to be the first tier of airports to be impacted by the lack of landside capacity at urbanized Los Angeles and Orange County airports. Activity and based aircraft in the area are forecast to increase at a higher rate than other airport areas within the region. Fullerton and the Chino/Ontario area are projected to receive ripple effect growth as increasing commercial activity and costs at John Wayne Airport push general aviation activity outward. The decline of general aviation activity at regional commercial airports was documented by SCAG in this study—a function of increasing difficulty in handling GA and commercial air traffic with such significantly different operational characteristics.

SCAGs 2003 forecast for general aviation operations in the Region projects a 24% growth rate for San Bernardino County's GA operations for the 2005-2030 forecast period, or less than 1% annual growth. SCAG's projections for individual airports in 2030 were based on estimates of growth that reflected past operations data and interviews with personnel familiar with local demographics and technical issues. However, though the numbers for Rialto Airport are part of the published regional forecast, those numbers differ significantly from other data the City has available to it from the California Division of Aeronautics, as described in the previous section.

The status of specific GA airports within a 20-mile radius of the Rialto Airport, described as the "Rialto Airport Subregion"(see Figure 2), is summarized below. These summary airport descriptions are based on information provided in SCAG's 2003 forecast and discussion with some airport representatives.

- ***Chino Airport -*** SCAG's report notes Chino Airport's status as a reliever for Ontario, Los Angeles, and Orange County airports. Further, its draw of based aircraft from coastal cities in Los Angeles and Orange Counties has been cited as a demonstration of the lack of general aviation capacity in the urbanized areas. However, Chino Airport's Master Plan shows use of only 56.1% of its annual service volume in the long term, even considering it is projected to accommodate 222,000 operations in 2030, and 1,400 based aircraft by 2025.

- ***Brackett Field –***This airport lists 2001 activity at 270,000 operations, with 4,500 of these operations from jet aircraft. SCAG's 2030 forecast for the airport includes 436,000 annual operations, and 600 based aircraft.

- ***Corona Airport –*** Corona Airport's operations have declined from 237,000 in 1984 to 58,000 in 2001. This airport supports primarily small piston aircraft. Due to environmental and other physical constraints Corona is unable to expand, and its operations are expected to continue to decline in the near term, and increase by less than 25% over the 2005-2030 period.

- ***Flabob Airport –*** This privately owned public-use airport is expected to retain roughly its present level of 26,000 annual operations through 2030. This airport primarily serves small recreational aircraft.

- ***March Inland Port –*** While this airport is within the Rialto Subregion, general aviation activity is not presently conducted there by agreement with the Air Force Reserve, thus no GA operations are forecast there by SCAG. The primary mission of March Inland Port Airport is and remains cargo operations that can benefit from its massive runway. Approval has been made, however, for a limited amount of executive aviation access that may occur there in the future, probably consisting of turbo-prop and jet corporate aircraft.

- ***Ontario Airport -*** Increases projected at Ontario Airport by SCAG were concentrated in the corporate GA sector – operations primarily by jet aircraft. Ontario's own general aviation forecasting anticipates a climb to 52,038 annual operations by 2030, with jets making up 70% of its activity. Only six single engine piston powered aircraft are currently based here, so their absorption at nearby airports would have a negligible effect.

- ***Redlands Airport –*** GA operations have increased to nearly 46,000 in 2002, possibly due to security improvements at the airport and the relative affluence of the community. Activity at the airport is forecast to increase by 0.2% annually until 2010, and by 0.5% afterwards. Based aircraft are expected to remain constant at around 200.

- ***Rialto Airport*** – The increase projected in Rialto's operations was consistent with the increase projected in SCAG's 1999 forecast, and attributed to the proposed new runway capacity at the airport, as well as the extension of Interstate 210. SCAG stated that Rialto was expected to be attractive to most propeller-driven aircraft owners given its runway length and proximity to residential areas. SCAG's projected increase also acknowledged the FAA assessment that operations would remain constant in relation to its current activity. However, SCAG's 2003 forecast acknowledges that Rialto is re-looking at its airport potential and considers its Master Plan to be obsolete.

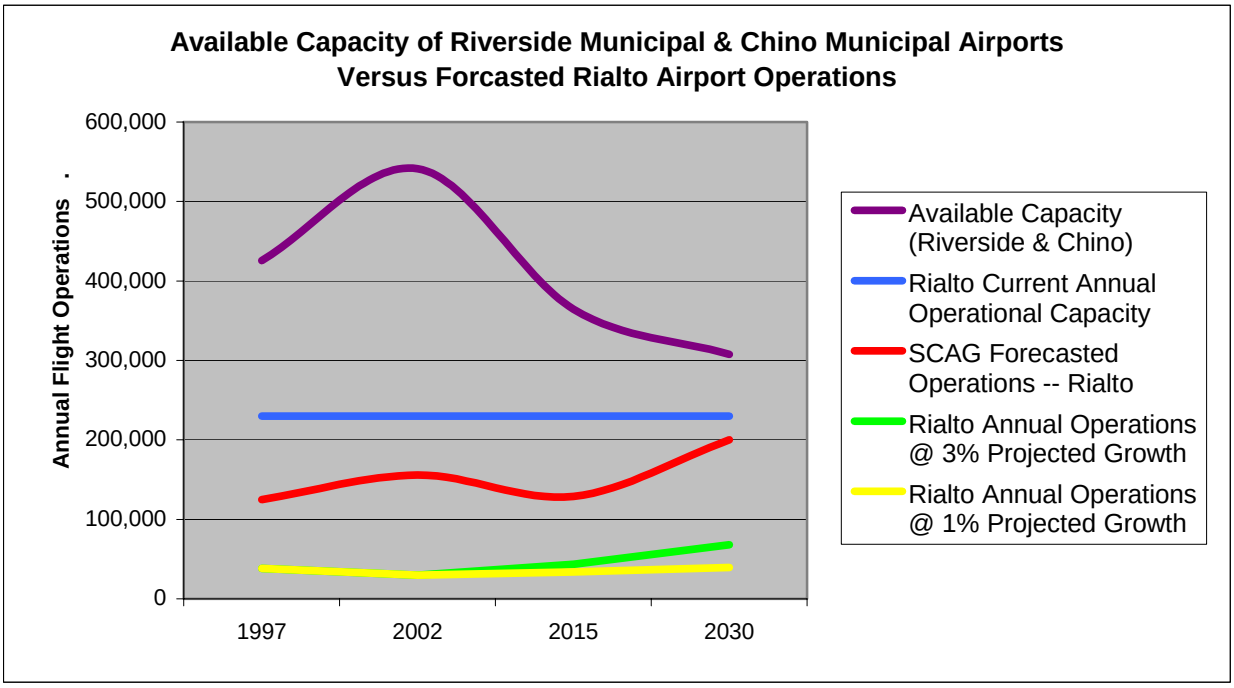
- ***Riverside Municipal Airport –*** This airport's Master Plan projects 208 based aircraft and 103,600 total annual operations in 2015 (an increase over SCAGs forecast which forecasted an almost

doubling of operations at the airport by 2030, much of this increase from business jets.) However, even with this proposed significant increase in operations at the airport, the Master Plan shows use of only 44.5% of the facility's annual service volume in the long term.

- ***San Bernardino International Airport*** – This airport's own general aviation forecasting anticipates a climb to 108,700 annual operations by 2023, with jets making up 10% of its activity, and helicopters making up 20% of its activity. This assumes that the Sheriff's helicopter operation presently at Rialto Airport relocates to SBIA. The sheriff has an unfunded plan to replace the flight facility and the emergency operating center located off-airport to the south of the current Rialto facility.) Because of SBIA's long runway, existing aircraft parking and storage areas, as well as a lack of competing commercial activity, such as at Ontario, GA activity here could increase quickly in the short term as rising costs and facility shortages in urban areas force operations eastward in the region.

The overall picture is best summarized in Figure 9, *Available Capacity vs. Forecasted Annual Operations*. It is currently possible to obtain documented capacity and forecast operations from only two airports in Rialto's subregion: Chino and Riverside Municipal Airports. That is because they have relatively recent Master Plans. Available capacity shown in Figure 9 is the aggregate of their total design capacity less their forecasted operations for 2030. That totals just over 300,000 operations (it is unknown whether their projected growth in operations is actually consuming available capacity at the rate indicated). Contrast that with the current SCAG forecast for Rialto Airport of 200,000 operations by 2030. Then, look at the comparison with Rialto's more likely range of operations based on the Caltrans 1997 measurements of approximately 38,000 operations. Increasing from that point at a compound rate of one percent per year is barely perceptible. Even increasing the rate a compound three percent rate—an extremely aggressive assumption—results in a relatively low level by the year 2030. Note how these varied forecasts relate to the current estimated capacity of the Rialto Airport.

Figure 9 Illustrative Available Capacity vs. Rialto Operational Scenarios



It may well be that the Caltrans-derived base measurements are low, but the question then is: where between these extremes does the truth lie? Moreover, the capacity figures relate to only two of the other eight GA-serving airports in the subregion. While numbers are not yet available for San Bernardino International Airport, verbal comment from airport management indicate that there is more than enough capacity there to absorb the operations from Rialto, should the City choose to pursue a replacement strategy rather than a continued airport option.

The bottom line is that currently available estimate and forecast numbers are seriously out of synch. And, in any case, the evidence so far indicates that the Rialto Airport is operating at levels far below official assumptions at the regional, state and federal levels and will continue to do so.

State of California General Aviation Outlook

SCAG's 1999 general aviation projections for the region were folded into CALTRANS general aviation projections, which were also last published in 1999. As that is the case, the State's projections of general aviation growth at Rialto Airport, and in the region are consistent with those included above from SCAG.

In a report prepared for Caltrans Division of Aeronautics by Economics Research Associates in 2003 titled, "Aviation in California: Benefits to Our Economy and Way of Life", trends were identified including increased use of smaller hub and metropolitan general aviation airports, as well as increases in cargo transport. As SCAG's recent forecast noted, companies and executives are avoiding major hub airports, in which premium prices are charged, which are busier, perceived to be less secure, and in which travel is generally more difficult than in smaller regional airports. Business aviation, corporate aviation and charter aircraft use have all increased in America, even since the events of September 11th. Fractional, or shared, ownership in corporate jets is on the rise as well. Finally, the report notes that general aviation airports today are serving as office locations for "briefcase businesses" in which employees fly into a location, conduct business in nearby meeting facilities, and fly out in a short turn-around period.

There are 222 General Aviation Public Use facilities in the State of California, making up 88.5% of the state airport facilities. GA operations made up 78% of the aircraft operations statewide in 2001. The California Department of Aeronautics recognizes three categories of General Aviation Airports (airports with at least 10 aircraft based on site and fewer than 2,500 scheduled emplanements): metropolitan, regional, and community.

As part of the research for its report to Caltrans Division of Aeronautics in 2003 regarding Aviation in California, Economics Research Associates surveyed 18 Metropolitan GA airports, 67 Regional GA airports (including Rialto), and 72 Community GA airports in California. It is interesting to note that Rialto Municipal Airport is classified as a Regional Airport, as are nearly all of its "competitor" airports within a 20-mile radius of the City. Specific survey responses from Redlands, Rialto, Corona Municipal, Brackett Field, San Bernardino International, Riverside Municipal, Chino Airport, Cable Airport and Southern California Logistics Airports are included in Appendix E to this report. Examination of these results can provide additional background information and context for Rialto Airport's role in general aviation in the subregion.

National General Aviation Forecasting – The FAA's Perspective

The FAA's 2003-2014 Aviation Forecast Summary predicts that aviation traffic in the US will be back to pre-9/11 levels by the year 2005. The forecast for general aviation activity shows an increase of 1.2% annually in hours flown, with jet hours up 6.2% on average. The fleet is expected to grow at a 0.7% annual rate, again with jet growth up 3.6% per year as a subset of this. Finally, the FAA expects a 17.6% growth in active pilots over the forecast period. However, the FAA's forecast also cautions that the general aviation industry in the US is vulnerable to economic slowdown/recession, fuel price increases, and national security threats, all of which are highly relevant as this report is being written.

Discussions with the FAA shed some important light on their estimates of GA activity. Turbine aircraft are expected to increase some 2.8% over the forecast period, while piston powered aircraft are expected to increase a negligible .2%--one-fifth of a percent! Since this is by far the dominant aircraft type based at and operating out of Rialto, the potential does appear to be very limited.

V. AIRPORT FINANCIAL STATUS AND OBLIGATIONS

The Municipal Airport is operated as an enterprise fund of the City of Rialto. The City has used grants from the state and federal governments as the predominant source of acquisition and development funding for the Airport. The City has also made contributions from the general fund and other special funds as a debt of the Airport Enterprise Fund.

The Airport generates revenues from its operations, including lease revenues from building rentals and tie-downs, fuel flowage fees and other user fees. The operating costs include salaries, maintenance and operation, and general overhead allocations. There are also a number of non-operating revenues and expenses, including property taxes, debt service and depreciation of fixed assets.

The City of Rialto's balance sheet for the Airport Enterprise Fund as of June 30, 2002 (the most recent information available) showed assets of $15.7 million, representing investment in land, buildings and equipment. The liabilities total $5.6 million, leaving residual fund equity at $10.1 million. Within the Fund equity, contributed capital represents $16.5 million and retained revenues are unable to cover the depreciation costs or the full debt service obligations.

In 2001, the City of Rialto restructured a debt of approximately $4 million from the Sewer Fund to the Rialto Airport for prior obligations related to Airport development and operations. The loan is scheduled to be paid over a 20-year term at a simple-interest rate of 6.0%, with an annual payment of $345,034.51. The Airport, however, has only been able to make partial interest payments using aircraft property tax monies as the pledged revenue stream and the debt continues to accumulate with accruing interest.

Financial records for the Airport show that it last operated in a profitable condition in 1988; the deficit has accumulated since that time. A complicating factor in assessing the financial implications of alternative futures for the Airport is the fact that all 453 acres of this property were acquired with FAA assistance. This means that proceeds for sale of any portion of the property must be shared on a 90% FAA/10% City of Rialto basis. Lease of any of the property is also controlled by FAA rules and requires proceeds to be invested in Airport improvements. Unless modified by federal legislation, these limitations are permanent.

Original Financial and Development Program

The 1992 Airport Master Plan estimated that the airport would contribute over $20 million annually to the area's economy. If the Master Plan had been implemented, this figure was expected to exceed $30 million. In contrast, the Airport Master Plan estimated the City of Rialto's cost responsibility for implementing the Plan as $2,608,000 over the 20-year planning period. That Plan has not and will not be built. However, these figures (assuming they were reasonable estimates at the time) indicate order-of-magnitude expectations regarding the economic potential envisioned for the Airport as well as the related City financial obligations. Any contemporary assessment of these benefit/cost calculations would need to be based on completely updated data.

While it is not possible to evaluate the methodology used to generate these numbers, the rationale for them was derived from two assumptions. The first is that an airport supports aviation commerce or businesses associated with air service such as restaurants, lounges and fixed base operators. These enterprises then inject jobs into the local economy. The second assumption is that an airport provides economic gain through providing aviation customer services used by a broad array of local businesses, tourists, and residents in their personal and business activities.

Significant changes in prospects for the airport are clearly in order because the FAA rejected the parallel runway environmental assessment in 1997. As a rationale for this finding, the Administration stated its belief that the expansion was not supported by general aviation growth potential. Updating these assumptions and related estimates/projections would require, among other things, a contemporary Master Plan to replace the obsolete 1992 document.

Development Funding

Despite this change in course by the FAA—first granting money for land acquisition and planning, then rejecting the Plan's environmental assessment because the Administration analysts believed that the operations forecast was unjustifiably high—the airport nevertheless had to continue operating. Sources for funding continued development and operations at the airport are discussed below.

City of Rialto Funding Sources

In 2001, the City of Rialto General Fund restructured a debt of approximately $4 million from the Wastewater and Water Funds to the Rialto Airport for prior obligations related to development and operations. Although the restructured debt does not have a formal loan agreement, for purposes of the audit and this report, the loan is scheduled to be paid over a 20-year term at a simple interest rate of 6% (the LAIF rate at the time of the transaction). The annual payment is calculated at $345,034.51. The Airport, however, has only been able to make partial interest payments using aircraft property tax monies as the pledged revenue stream. The debt continues to accumulate with accruing interest that is currently tracked through an amortization schedule. New government accounting standards will require that the debt and interest payments be made, which the Airport currently cannot sustain or that the General Fund begin forgiving the debt, which the General Fund should not absorb. In addition to the restructured loan of approximately $4 million, the General Fund has loaned just $1 million to fund prior year operational deficit cash spending. The payment terms and interest on this loan have not been defined.

It the City were to accept grants for development and maintenance with a matching requirement, the General Fund would need to be the source of matching capital. The Airport Enterprise Fund does not have cash balances available to make the matching contributions at the present time.

The Airport also has an outstanding loan from the Redevelopment Agency (RDA) for approximately $450,000. Lease payments from the Airport Café have been pledged towards repayment of this loan.

The results of this study have a direct impact on the financial resources of the General Fund and the RDA.

Airport Revenue

Use of the airport's public and leased facilities generates a variety of revenues including building and land rentals, fuel flowage fees, and other user charges. The development of additional airport facilities and services for both aviation and non-aviation uses could contribute toward airport income. Presently, however, the airport's revenue stream is not sufficient to offset the depreciation costs of the airport itself, or to repay the General Fund and RDA loans.

The Airport operational budget and costs have been kept to the necessary minimum in order to fall within ongoing operational revenues. Significant maintenance and development needs have been deferred for lack of funding. Based on a cash basis of revenues and expenditures, fiscal year 2003 allocations reduced the General Fund loan for operational deficit spending by $23,745.

When depreciation costs and City General Fund and RDA debt payments are taken into account, the Airport actually operates at a significant annual deficit. Table 2, *Airport Revenues and Expenditures Projection 2002-2010*, provides a breakdown of the Airport's revenue and expenditure actual costs for 2002 and 2003 as well as projected costs through 2010. This table illustrates that, even without significant maintenance budget and assuming that the existing revenues grow at an aggressive 8% per year, the Airport deficit is projected to grow to over $12.5 million. This escalating cost is graphically shown in Figure 10, *Increasing Fund Deficit.* This bleak fiscal situation lies at the heart of the City's need to establish positive direction for the Airport property and its improvements.

For a better understanding of the Airport assets and depreciation, please note the following comments. The asset value of the land reflected in the 2002 audited statements is $12 million. Based on standard accounting rules, land is not depreciated. The remaining assets reflect primarily other improvements, buildings and equipment. Most of the depreciation costs relate to runway improvements done at the Airport in the mid-1990s. These will be fully depreciated over 20 years, ending in about 2015. Assuming the Airport revenues were sufficient to fund all of the costs including depreciation and debt, the Airport would be building up cash reserves for future improvements and replacement of the existing assets.

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Table 2
Revenue and Expenditures Projection 2002-2010

	FY 2002 Actual	*FY 2003 Actual*	*FY 2004 Budget*	*FY 2005 Projection*	*FY 2006 Projection*	*FY 2007 Projection*	*FY 2008 Projection*	*FY 2009 Projection*	*FY 2010 Projection*
Beginning Fund Balance	(5,997,952)	(6,779,798)	(7,439,815)	(8,145,354)	(8,855,223)	(9,550,889)	(10,255,113)	(10,949,830)	(11,659,557)
Revenue:									
Tax Revenue	44,715	47,648	46,000	46,714	47,315	47,924	48,540	49,164	49,797
Transfers In	4,653	4,955	5,058	5,038	5,192	0	0	0	0
Rents & Concessions	195,274	222,897	225,240	227,471	229,837	232,228	234,643	237,084	239,550
Rents & Concessions/Airport Café	1,800	7,200	12,000	12,000	14,400	18,000	19,200	19,200	19,200
Other Revenue	12,803	34,973	1,500	16,425	16,425	16,425	16,425	16,425	16,425
Total Revenues:	259,245	317,673	289,798	307,649	313,170	314,576	318,808	321,873	324,972
Expenditures:									
Salaries	110,065	97,476	107,503	110,544	113,586	115,858	118,175	120,538	122,949
Utilities	28,049	23,135	20,300	23,500	24,410	25,889	28,129	30,562	33,205
Contract Services	11,686	16,075	15,000	17,000	18,000	19,008	20,072	21,197	22,384
Other Services & Supplies	6,754	8,846	7,550	7,967	8,225	8,492	8,767	9,052	9,345
Training & Meetings	700	225	1,460	2,000	2,000	2,000	2,000	2,000	2,000
Maintenance - Office & Machinery	538	108	500	382	382	382	382	382	382
ITS	9,000	8,020	8,389	8,470	8,470	8,470	8,470	8,470	8,470
Fleet Maintenance	2,771	3,730	2,350	2,951	2,951	2,951	2,951	2,951	2,951
Simonson Center Dept.	19	46	46	48	62	80	104	134	174
Bldg. Maintenance	4,626	5,584	14,614	15,162	15,421	21,508	29,997	41,838	58,352
Postage	936	523	595	684	684	684	684	684	684
Insurance	4,130	3,430	3,860	3,807	3,807	3,807	3,807	3,807	3,807
Depreciation	337,635	422,800	422,800	422,800	422,800	422,800	422,800	422,800	422,800
Transfers Out	11,500	11,500	11,500	11,500	11,500	11,500	11,500	11,500	11,500
General Fund Debt Payments	345,034	345,034	345,034	345,034	345,034	345,034	345,034	345,034	345,034
Capital Improvements	49,028	0	0	13,000	0	0	0	0	0
Debt Service - State	116,821	23,959	23,182	22,016	20,850	19,685	0	0	0
Debt Service/RDA	1,800	7,200	10,654	10,654	10,654	10,654	10,654	10,654	10,654
Total Expenditures:	**1,041,092**	**977,690**	**995,337**	**1,017,518**	**1,008,835**	**1,018,800**	**1,013,525**	**1,031,601**	**1,054,689**
Net Income/Loss	(781,846)	(660,017)	(705,539)	(709,869)	(695,666)	(704,224)	(694,717)	(709,728)	(729,718)
Ending Fund Balance:	**(6,779,798)**	**(7,439,815)**	**(8,145,354)**	**(8,855,223)**	**(9,550,889)**	**(10,255,113)**	**(10,949,830)**	**(11,659,557)**	**(12,389,275)**

[1] Per lease agreement
[2] Debt payment due to the General Fund. Pmts currently being made w/airport tax monies. The amts only cover partial int. (see Debt Sch.)

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FAA's User Fees

The primary source for airport development funding is aviation users, both locally and nationally. The FAA grants used to fund 90% of eligible projects at airports are derived from user fees deposited in the National Aviation Trust Fund. The Federal Airport Improvement Program (AIP) has been the legislation authorizing the distribution and use of these funds, which have been collected through excise taxes on airline tickets, sale of aviation fuel and accessories, aircraft registration, and other aviation uses.

Airport development assistance is available to the City of Rialto through the FAA discretionary funding portion of the AIP grant program. The grants are distributed on a priority basis, established by the FAA regional offices on the basis of type of project as well as the number and dollar amount of applications received. The City competes with other airport sponsors in the Western Pacific Region and throughout the nation for this type of assistance. Close coordination with FAA's Lawndale Airports District Office (ADO) is essential to maintain the Airport's high priority standing for discretionary grants. Rialto Municipal Airport has been designated as a General Aviation Reliever Airport. This is supposed to give Rialto a priority over non-reliever airports when competing for AIP grant funds.

Caltrans

Another source of funding is through the State of California's Department of Transportation (Caltrans) Division of Aeronautics' California Aid to Airports Program (CAAP) and the Californian Airport Loan Program (CALP). Through CALP, the State may participate with the sponsors of FAA eligible projects under provisions of both CAAP and CALP. However, reliever airports are not eligible to receive the State's CAAP annual grant, which is now $10,000 per year.

The State can contribute a larger share on non-eligible projects if funds are available. For planning purposes, it is assumed that the City of Rialto will be responsible for funding 10% of the costs on FAA eligible projects. The State's negative financial condition may severely constrain it as a funding source.

Private Sector

The private sector is the final source for airport development funding. Private investment can contribute greatly towards projects not eligible for FAA funding, such as Fixed Base Operators (FBOs) and hangars. The 1992 Airport Master Plan identifies the improvements that can be best funded through private investment. Leasing of surplus airport property for industrial and non-aviation activities is another potential source of income. Here again, the Master Plan has proved to be overly ambitious, as little or no private sector funding flows into the airport.

FAA and Caltrans Grant Obligations History

Per a memorandum prepared by Richard Scanlan, Director of Aviation and Solid Waste Management, to the then Acting City Administrator in October of 2000, the FAA has provided about $15 million in grant funds to the Airport since 1968. Of this, roughly $9 million was for property acquisitions and $6 million for construction, plans and studies. The FAA does not amortize property. Rather, they require recovery of the same percentage from the sale of land as the percentage of their participation in its acquisition (90% in Rialto's case). The Airport has used FAA grant funds to purchase all of the Airport's 453 total acres. Accordingly, 90% of the proceeds received from the sale of any portion of the 453 acres would revert to the FAA, no matter when such sale takes place.

Further, in Fiscal year 2001 (May 18, 2001) a $150,000 grant was awarded to Rialto for rehabilitation of the airport apron and its perimeter fence. The City of Rialto accepted the grant on July 17, 2001, though none of the actual funds have as yet been accepted.

Scanlan's 2000 memo also notes that since 1980, the earliest relevant grant year, the State of California has provided $924,065 in grant funding to the Airport. The Caltrans Aeronautics Program amortizes all grant funds over a 20-year period irrespective of how the funds are used. Therefore a repayment of roughly $98,000 would be required to the State.

In 1992, the City received a loan from the State of California to fund the City's matching portion of the Federal Grant Expenditures. The note is payable in 15 annual installments of $18,518. Four years remain in the payment schedule.

Tables 3A and 3B, below, summarize the grant funding history from FAA and Caltrans sources, respectively.

Table 3A
Rialto Airport Historic FAA Grant Funding

Grant #	*Year*	*Description*	*Amount of Payment Requested*
9-04-0147-D901	1968	Land Reimbursement; Construct Apron	$585,385.00
8-06-0197-01	1975	Install Fence	$49,825.51
3-06-0197-01	1984	Extend runway 6/24; Widen taxiway; Construct Apron	$530.505.00
3-06-0197-02	1985	Land Acquisition	$1,000,000.00
3-06-0197-03	1986	Land Acquisition	$3,259,374.00
3-06-0197-04	1987	Design New Runway 6/24; Replace Power	$1,145,171.00
3-06-0197-05	1987	Master Plan Update; FAR 150 Study	$89,428.23
3-06-0197-06	1988	Construct new runway 6/24	$2,499,862.23
3-06-0197-07	1989	Land Acquisition; Replace Power Line	$1,709,227.00
3-06-0197-08	1991	Land Acquisition; Drainage Improvements	$1,604,303.00
3-06-0197-09	1992	Land Acquisition	$3,142,950.00
3-06-0197-10	2001	Rehab Apron & Perimeter Fence	$150,000
		Totals	***$15,766,030***

Table 3B
Rialto Airport Historic Caltrans Grant Funding

Year	*Amount*	*Depreciated Payments Remaining*
1982/83	$165,775	0
1983/84	$5,000	$250
1984/85	$168,238	$16,824
1985/86	$5,000	$750
1986/87	$199,481	$39,896
1987/88	$5,000	$1,250
1988/89	$5,000	$1,500
1989/90	$5,000	$1,750
1990/91	$72,793	$29,117
1991/92	$5,000	$2,250
1992/93	$5,000	$2,500
1993/94	$5,000	$2,7750
	$646,286	***$98,837***

Airport Land Disposition Issues

Unimproved land in the Rialto Airport area is estimated to currently be worth between $3 and $4 per square foot. However, considering the amount of demolition and land preparation work that would be involved in returning the airport property to "raw land" condition, a more conservative 2$ per square foot is used for this discussion (unpredictable changes in values account in part for the need of a contemporary pro-forma at whatever future time the City determines it wishes to proceed with land sale or lease arrangements). At 43,560 square feet per acre, the 453-acre Airport represents approximately 19,730,000 square feet and an estimated aggregate land value of $39,460,000. At this conservative value, the FAA would be entitled to repayment of $35.5 million for the 453 acres of land it helped to purchase, plus a currently unknown amount for 20-year amortization of the non-property grants (airport improvements). This leaves the Airport value, if sold, with a net to the City of approximately $4 million with the land valued at $2 per square foot—less any remaining amortization value of improvement grants.

A pivotal factor in the City's decision-making process is the rate of change and magnitude of loss or gain from the Airport operation. Table 2 and Figure 10 portray a declining fiscal situation regarding the airport. Any reasonable projection of Airport activity seems incapable of ever generating enough net revenue to adequately fund the deferred maintenance and resume the debt payments, let alone compensate for the cumulative debt that has accrued. The City is then faced with three approaches, described below.

The first approach would be to obtain a land release as soon as possible from the FAA for the 135 acres that are now surplus because the second runway will not be built and lease the property for industrial or commercial development. That could generate additional funds for airport improvements and could possibly help improve the Airport's performance. It is impossible to imagine how that could lead to a revenue stream sufficient to place the entire Airport Enterprise fund in the black in any foreseeable period.

A second approach with the land release would be to sell the 135 acres. Because the City would receive only 10% of those proceeds and the land value is currently rather low, the City would generate a limited return slightly less than $1.2 million. This is short of the current debt by about $7 million. The funds could, however, improve the balance sheet to slow the loss if the City chose to close the Airport and replace its functions elsewhere and that course were to be approved by the FAA. At such time as the Airport was discontinued, the remaining land could then be sold and the proceeds would no doubt be much higher than currently estimated because of increased land values. If this area proceeds as other growth areas in the region have, the completion of new freeway connections—such as the imminent I-210 Freeway project—invariably results in significantly increased land values.

A third approach would apply if the City decides to keep the Airport in operation, but at a level similar to its pre-1992 configuration. It is estimated that roughly 115 acres not needed for direct aviation operations could be sold. This could be added to the 135 acres discussed in the first two approaches. Thus, lease or sale of some 250 acres could occur and the airport could continue to operate, but as a reduced facility. If it is sold it could generate almost $21.8 million at today's estimated value, of which 10%, or $2.18 million, would accrue to the City.

Assuming a reasonable increase in value of 5% per year, even the sale of all 453 acres (with 10% returning to Rialto) is insufficient to generate funds for the ongoing debt payment. The further out in time this action is taken, the larger the debt would be that has to be offset. The land value will have to increase at rates greater than 15% annually to retire the fund debt in 2010. Growth rates greater than 15% are possible, but certainly not guaranteed, in the period around the time the freeway is completed—thus potentially enabling an earlier opportunity to retire the debt. Whether or for how long that or any other rate of increase in value could be sustained is unknowable.

Summary Financial Issues

This analysis provides a general picture of the financial considerations associated with the Airport property. More precise strategies and associated calculations would need to be based on somewhat more detailed site analysis linked to each of the options recommended in this report for further study: a continued airport option and a redevelopment option. Critical policy questions that must be answered by the City include the following issues:

- How long can the City continue to absorb losses attributable to the Airport? Based on the current financial picture and future projections, the logical answer has to be: for as short a time as possible.
- How soon can the losses attributable to the Airport be turned around? The answer is impossible to predict, however, getting available land developed or producing some income must be done as soon as possible.
- Is the City willing and able to consider a public/private partnership to reduce the City financial exposure? If so, when is the optimum time for the City to entertain such a joint venture? This option offers significant potential and the City has engaged in public/private partnerships before.

Timing of such a venture should be calibrated to generate the maximum return to the City—which can be influenced by the Freeway-induced land value increases, legislative relief from FAA repayment and the specific provisions of negotiated agreements.

- What amount of additional capital investment in the airport is necessary under either the continued airport or redevelopment option and where would the money come from? This would have to be based on some level of site planning to understand demolition, rehabilitation and replacement requirements, as well as airport reconfiguration (reduction in aviation related land area).
- Should the City continue to seek, accept and use FAA and Caltrans dollars, thereby extending the period during which financial obligations on improvements would continue? This is a policy decision the City must carefully weigh and such a decision is dependent on the City's preferred option.
- What strategy would be most likely to stimulate new development/redevelopment on the property? Pursing public/private partnerships with developers capable of undertaking large-scale development probably offers the quickest way to eliminate future losses and get development moving.
- Should the City seek a land release and, if so, as a sale or lease arrangement? This should be accomplished at the earliest possible date. A lease arrangement is probably the most beneficial for the City, but sale could also work, especially if provisions could be made for the FAA share to help offset accrued City costs.
- If the City pursues a redevelopment/Airport replacement option, what is the City's possible cost for such a process? The cost can associated with such an action can only be made by developing an action plan and work program through consultation with key stakeholders.
- What reasonable land value increase assumptions should be folded into financial strategies? As noted, a net 2$ per square foot is probably a good figure to use at this point, however, it should be updated based upon the then current market conditions as the Freeway becomes operational, which should increase land values.
- Is federal legislative relief for all or a portion of the payback obligation feasible? This has not been determined yet but informal discussions don't discount the possibility. The City should pursue such an option based upon such key factors as: 1) the City's level of subsidy investment in the Airport; 2) the base realignment of Norton Air Forces Base (SBIA) and the attraction it and other airports in the subregion offer to GA; and 3) the investments made in other airports in the subregion and their impacts on the Rialto Airport's operations and financial situation.

VI. THE DECISION MAKING CONTEXT AND KEY ISSUES

FAA & Caltrans Closure/Replacement/Release Procedures

Both the Federal Aviation Administration (FAA) and the California Department of Transportation (Caltrans) have published procedures for the closure and/or replacement of airports, as well as for the release of airport property for non-aviation use. Some closure procedures are included in Appendix D, *FAA Closure and Land Release Policies*, and summarized below.

In the case of the FAA, closure/replacement requests must be made in writing, and must indicate the reason for the request, an identification of the agreements with the federal government that are involved, an identification and description of the affected properties, and the method by which they were acquired, their fair market value, the use to which they will be put, the proceeds expected from their reuse and plan for the revenue generated. A comparison must also be made of the advantage to the airport from the sale of the land or lands versus their value if leased. This written request must be accompanied by mapping of airport property and facilities and a revised Airport Layout Plan. In the case of release of land considered to be surplus to the aviation needs of the airport, the land under consideration for disposal cannot have current and planned aeronautical uses per the Master Plan and/or Airport Layout Plan, and the planned use must not conflict with the airport operations. Repayment of the cost of acquisition of the property is required by the United States, assuming the federal government participated in funding the acquisition. Revenue generated from the sale or rental of the property, above and beyond that which covers federal repayment obligations, must be returned to the airport. Repayment of grant obligations is also required by the federal government, or in the case of airport replacement, grant obligations may be transferred to the new facility.

In short, in order to be successful, applicants must demonstrate to the FAA that changes to Airport Layout Plans protect, advance or benefit the public interest in civil aviation. The benefit to aviation must be documented in real terms.

Caltrans requires 60 days advance notification in writing of intent to close an airport, and may call a public hearing to discuss the potential closure. The State may choose to assist the airport proprietor in keeping the airport operational, however if the facility is closed for more than one year the operator must repay the state grant funds it has received under some conditions. Repayment is only waived if the airport is either determined not necessary to the system of public airports in the state, or if it is replaced by a comparable facility within one year.

Closure/Replacement Experience Elsewhere

In the course of this study the consultants identified seven general aviation airports across the United States that had initiated closure proceedings. The Summary Case Study tables provide descriptive information about each case and are included in Appendix E, *Airport Closure/ Replacement Studies.* A brief background of each case, as well as the conclusions that can be drawn about each that are either relevant to or inapplicable to the Rialto Airport are summarized below.

In two of the seven cases studied, (Austin Mueller Airport, and Richards-Gerbaur Airport) the airports were ultimately closed and their operations replaced to other nearby general aviation facilities – though the replacement element may be in question. The actual costs and benefits to the affected jurisdictions are not known at this time, but may be able to be uncovered with further research. In a third case, the airport was unilaterally closed when the local jurisdiction demolished it under cover of darkness (Meigs Field).

That closure is still being challenged, and the ultimate penalties the jurisdiction will face in the wake of this action are unknown. In the case of St. George, Utah, replacement with a new airport is central to the City's strategy and is being held up mainly by a costly EIS process. In the other four cases, closure was attempted but to date has been blocked or the attempt abandoned. It is interesting to note that while the reasons for attempting closure varied from financial distress, to safety and security concerns, to development pressures, the one constant in all but the St. George case is organized and vehement opposition to the closure by the Aircraft Owners and Pilots Association (AOPA).

Austin-Mueller Airport, Austin, TX

After an approximately three-year closure process Austin-Mueller airport closed on the premise that its general aviation operations would be moved to Bergstrom Air Force Base. The airport had supported 280 based aircraft and 62,000 annual general aviation flight operations. With the reuse of the former Bergstrom Air Force Base to civilian use, capacity was available there to accommodate the Austin-Mueller Airport operations, though no provision for general aviation activities had been made in that airport's master plan. However, Bergstrom was not prepared to assume the general aviation operations from Austin Mueller at the time of its closure, and AOPA still argues that the move failed to "protect, advance, or benefit the public interests in civil aviation." AOPA argues that lower levels of general aviation operations are supported at Bergstrom, as well as fewer available tie-down facilities. In any case, a mixed-use community is being planned on the former site of the Austin-Mueller Airport. The project is to include over 4,000 dwelling units, 300,000 square feet of retail, and up to 5 million square feet of commercial office space on the 709-acre site.

The converted Norton Air Force Base—now the San Bernardino International Airport—is one of the major aviation facilities in proximity to the Rialto Airport. This fact perhaps renders the Austin-Mueller case the most relevant to Rialto's situation among the cases examined. Rialto's approach, however, recognizes the need to assure capacity elsewhere if replacement is selected as a desired course of action.

Richards-Gebaur Airport, Kansas City, MS

This roughly 1300-acre airport served small privately owned aircraft and the City of Kansas City was experiencing economic losses totaling $1.5 million annually related to the airport operation. The FAA released Kansas City from its obligations and allowed the airport to close on the grounds that the funds that were being used to subsidize its deficit operations were draining resources that could support other commercial airports, and that the area was already served by other general aviation airports. The City was required to deposit $5 million into an escrow account for dispersal by FAA to other airports in the Kansas City area. Further, all net proceeds from the projected lease of the released airport property must be deposited into the aviation account for use solely for specified general aviation projects – for the next 20 years. AOPA challenged the closure on procedural issues, but it withstood the challenge. Approximately 400 acres of the airport was reused as an International Freight Gateway; the remainder for governmental and light industry applications.

This case also has relevance to the Rialto Airport in that it is an economic drain on the City and there are other nearby airports that also serve the GA market.

Merril C. Meigs Field, Chicago, IL

After debating the closure of this 55-year old general aviation airport for over 10 years, the Mayor of Chicago acted unilaterally to demolish and thereby close the airport at midnight on March 30, 2003. The Mayor at one time characterized the airport as posing a risk of terrorist attack to the City of Chicago. Information is also available that indicates the airport was intended to be converted into a park in 1996,

once the lease between the City and Parks District for the airport land had expired. AOPA had characterized the airport as a badly needed reliever for overcrowded O'Hare International and Midway Airports, and also challenged the closure on procedural grounds. AOPA maintains that Daley and the city of Chicago violated both the U.S. Code and Federal Aviation Regulations. The U.S. Code states that an airport or landing area not involving the expenditure of federal money may be altered substantially "only if the Administrator of the Federal Aviation Administration is given reasonable prior notice, so that the Administrator may provide advice on the effects" of the alteration. In order for the administrator to carry out that obligation, Federal Aviation Regulations state that anyone intending to alter a runway, deactivate a runway or airport, or change the status of an airport must submit notice of that intent at least 90 days prior to taking such action. Estimates indicate that it would have cost $41 million to purchase Meigs Field from the parks District, while demolition cost $1.5 million.

St. George Airport, St. George, Utah

The existing airport is on a 250-foot high mesa surrounded be development that simply cannot expand for physical reasons to keep up with the growth of this expanding community of about 60,000 persons. The solution is a proposed new commercial and general aviation facility outside of the City that would be capable of accommodating increased commercial, recreational and business flights. The City is now about four months into what is likely to be a two-year IES process. The EIS was instigated by an environmental organization called the Grand Canyon Trust. They successfully challenged the adequacy of an environmental assessment approved by the FAA, based on alleged inadequate consideration of impacts on Bryce, Zion and Grand Canyon National Parks as well as failure to consider the cumulative effects of national airways that traverse the area. The EIS budget is estimated at $2.3 million. The 240 acre existing airport would be redeveloped in multiple uses, including commercial, industrial and residential development.

The regional FAA office has been cooperative and supports the relocation as a significant improvement in air transportation service in the area, including general aviation. This may be accounted for, in part, because the FAA has played no role in funding acquisitions so far, but it appears the regional office is genuinely supportive of the project. However, curiously, the regional AOPA organization (Southwest Region) has been aloof from the process thus far and has not engaged itself in support of this clear move to improve the aviation situation in St. George. Because of the unprecedented scale of the EIS for this size project, it is unclear when the relocation can be effectuated. In the meanwhile, no construction activity can proceed and the community continues to outgrow the existing airport.

Smith Field, Fort Wayne, IN

This 250-acre airport supported roughly 15,600 operations per year, and experienced a $3.1 million annual budget shortfall—a burden falling upon the City of Fort Wayne. The Wayne-Allen County Airport Authority attempted to close it and move its operations to Fort Wayne International Airport. The closure attempt has so far not succeeded, and as part of the opposition to the closure, the City's Historical Preserve Board recommended to the City Council that the 84-year old airport be deemed historical.

Buchanan Field, Concord, CA

Buchanan Field is presently burdened with at least $14 million in grant obligations from the Federal government for its development, improvements and operations. While there has been interest in converting the airport's 600-acre site into a mixed-use housing – business complex, AOPA has opposed the move noting that the property was given to Contra Costa County as surplus property after World War II under the condition that it remain a public use airport or be returned to the Federal government. Further, responding to a request from the Friends of Concord Airport Coalition at Concord, California's

Buchanan Field, U.S. Reps. Ellen Tauscher (D-Calif.) and George Miller (D-Calif.) have told FAA Administrator Marion Blakey that they "strongly oppose" closing the airport, and they want a "prompt" answer from the administrator on the FAA's position on such a closure. Tauscher and Miller say Buchanan Field is an important element in the economic infrastructure of their districts, provides important benefits in emergency situations, and acts as an important reliever for the three major air carrier airports in the area, at San Francisco, Oakland, and San Jose. Please see Appendix D, *Airport Closure/Replacement Case Studies,* for an informative recent article on this case.

Hawthorne Airport, Hawthorne, CA

Paladin Partners LLC mounted a campaign to convert this 80-acre general aviation airport into a commercial complex, using a public referendum process. It is unclear what argument was made to indicate that closing the airport would result in a benefit to general aviation; however, the FAA opposed the closure and indicated to AOPA that there were “no viable arguments that would justify the city’s attempt to close the airport.” FAA also argued that closing the airport would negatively impact capacity at nearby LAX and other regional airports. The closure referendum did not pass the public vote. Moreover, a coalition of developers and the City, stimulated by private development interests and City Council member initiative, are working on a public/private partnership that would lead to a sale/leaseback situation. It is too early to tell if the partnership will be successful, but both parties appear to be serious. A partnership along similar lines might be applicable to Rialto.

Reid-Hillview Airport, Santa Clara County, CA

Three unsuccessful attempts have been made to close this general aviation airport in the past 15 years. The airport presently serves light, single and twin engine aircraft, as well as has limited use by turboprop aircraft and the smallest business jets. While airport operations there declined from the late 1980s through the middle 1990s, they have subsequently grown slightly each year, to 235,213 published operations in 2001 – significantly more than Rialto Airport is now believed to accommodate. The airport also currently has 687-based aircraft with capacity to accommodate 726 aircraft total, also a significantly higher number than for Rialto.

Under pressure from the San Jose City Council, after two local plane crashes, the County of Santa Clara ceased all applications for federal Airport Improvement Program grants, allowed airport facilities to deteriorate, and initiated closure procedures. Subsequent safety studies indicated that the Airport did not pose a safety threat to the community. The County then reversed its position on closure after the San Jose City Council rescinded its own action to close the airport, and local and national pilot associations and lobbying organizations, as well as the local business community, voiced their opposition to closure. Further, it was revealed that closure costs might total $28 million including the clean up costs necessary to ready the 188-acre property for non-aviation uses. Finally, the airport is designated a reliever for San Jose International Airport, and as is the case in southern California, as pressures to support larger aircraft at that airport increase, it is anticipated that light aircraft operations will continue to migrate to Reid-Hillview.

Legal Issues Summary

Depending on the course eventually selected, legal issues may require specific attention. Rather than invest in this type of advice in screening a multitude of options, the decision was made during Phase I of the Asset Management Strategy to narrow the legal focus as an integral part of Phase II: Detailed Evaluation of Primary Options.

Nevertheless, certain issues regarding legal interpretations and procedures can be tentatively identified now, subject to more refined definition in Phase II. They include:

- What are the legally valid procedures that would permit interim arrangements for the development of portions of the airport property, such as a land release?
- To what degree may some part of the land acquired for airport expansion be released and used for other purposes, depending on the proportion of acquisition costs borne by the City and the FAA?
- What effect does the FAA's 1997 rejection of the Environmental Assessment on the proposed parallel runway have on the City's obligations (based on the Administration's determination that insufficient market potential existed to justify the described expansion)?
- Can a time-certain expiration of the City's contractual obligations to operate an airport be established?
- After FAA and Caltrans grant assurance obligation time frames have passed, what financial obligation, if any would Rialto have to those agencies for the Airport?
- What effect does any subsequent grant or loan funding for an airport related purpose have on the ending of the City's contractual obligations? Should the City reject any new grants as a means of releasing the operating covenants as soon as possible?
- What level of documentation is required to satisfy case law derived findings if the City should elect to pursue replacement of the aviation operations to some nearby airport?
- What legal consideration should be taken into account in structuring a partnership for the development of vacant airport land not needed for aviation purposes (either a public/private partnership or one with another public agency).

A qualified legal counsel with experience in airport related planning, development, contractual arrangements and environmental documentation should address these questions. Such analysis can be structured as part of the Phase II scope of work.

Infrastructure and Related Issues

Infrastructure plans related to the Airport are derived from the City of Rialto General Plan and, more directly, the Airport Specific Plan. The three most critical systems other than circulation are summarized in Figure 10, *Storm Drain System*, Figure 11, *Sewer Collection System*, and Figure 12, *Water Supply Facilities*.

All of this information is derived from the Airport Specific Plan. The key issue is to what extent the planned improvements would support the two options proposed for further consideration. While Phase II will need to focus much more thoroughly on these systems, a general observation is appropriate now. The amount of development/redevelopment anticipated for the redevelopment driven and airport driven options is likely to exceed assumptions upon which the infrastructure planning was previously based. This is especially true for the redevelopment driven option because of the total acreage of development it would entail.

Figure 11 Storm Drain System

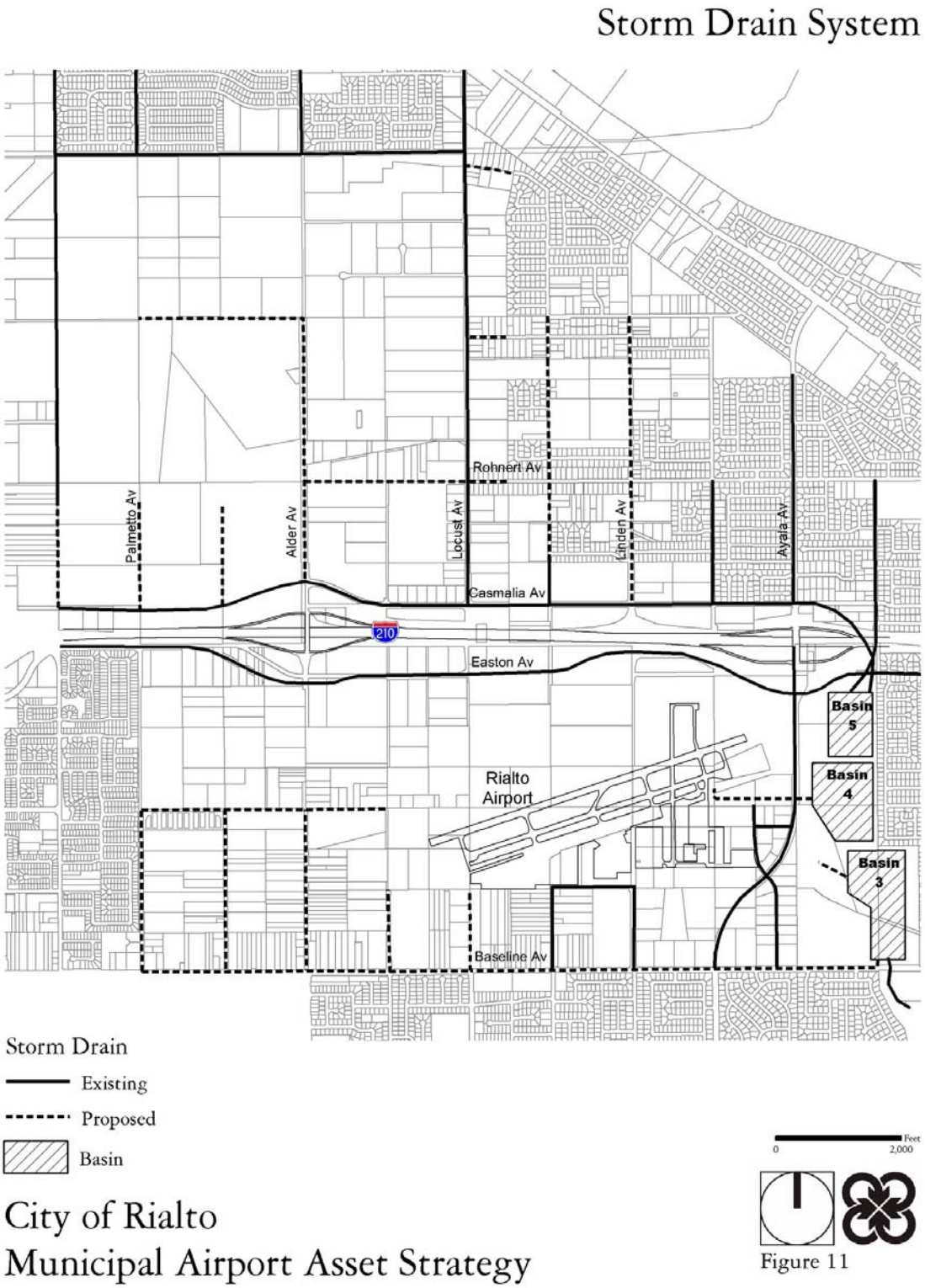


Figure 12 Sewer Collection System

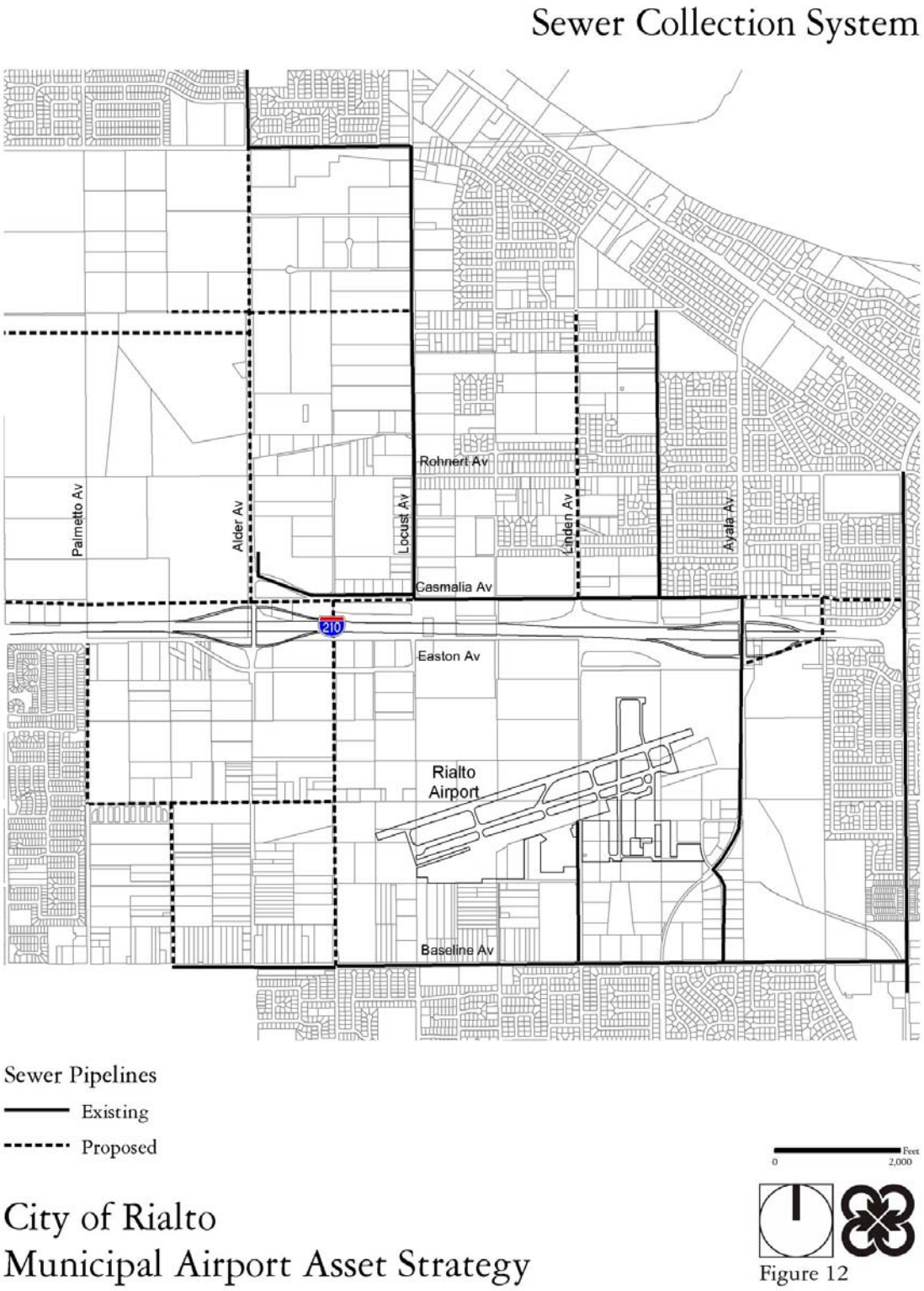
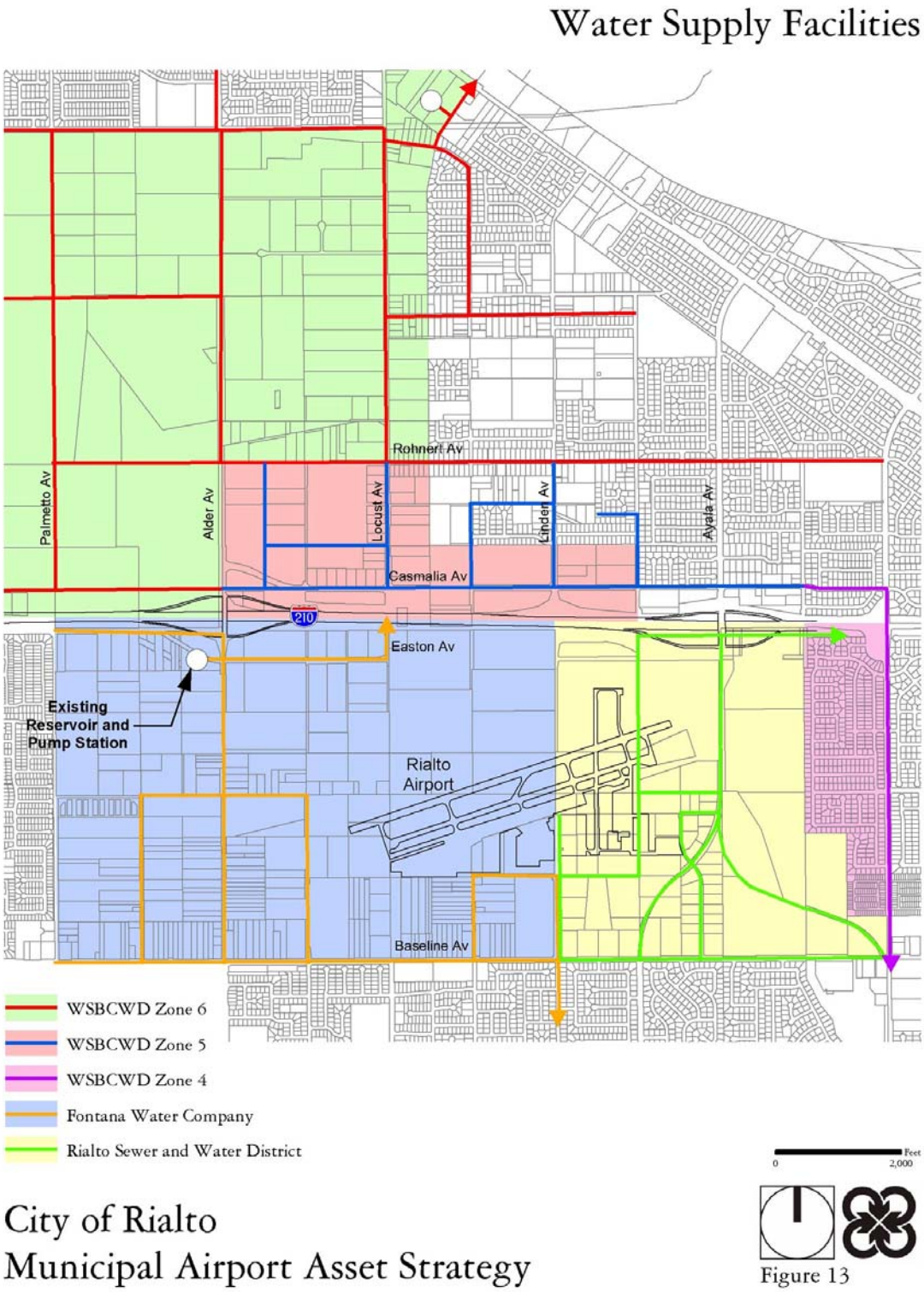


Figure 13 Water Supply Facilities



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Moreover, recent legislation and guidance regarding non-point source discharge elimination systems may well modify both the systems design and require ancillary improvements not considered earlier.

Similarly, anything other than a very modest increase in non-residential development will trigger the need to do a Congestion Management Program Traffic Impact Analysis (CMP/TIA) in conformance with the SANBAG Congestion Management Program. It is impossible to know at this point to what the extent circulation system revisions and improvements would be required. It is quite likely that arterial highway designations and mitigation improvements in the vicinity of this property would be more extensive than current policy reflects.

Environmental Constraints and Issues

The Planning Center conduced a preliminary environmental assessment of the environmental issues that should be considered by the City in their review of what actions the City might want to take on the future of the Rialto Municipal Airport. We viewed a number of environmental documents on the Airport to determine what environmental issues have been identified to date and those that the City should consider as they decide on whether to expand, move and/or redevelop the Rialto Municipal Airport. Documents reviewed included the Final EIR for the Expansion of the Rialto Municipal Airport (May 1992), Environmental Assessment of Proposed Construction of Runway 6L-24R at Rialto Municipal Airport (January 24, 1997), and Final Program EIR for the Rialto Airport Specific Plan (December 22, 1997).

The environmental parameters analyzed below are taken from the Environmental Checklist form (Appendix H) included in the California Environmental Quality Act Guidelines and include all environmental issues that the City will need to consider in their planning for the future of the Airport. This analysis focuses on the environmental issues that the City should be aware of as they move forward on this project. The assumption in this analysis is that most, but not all, issues would apply to any Airport option to a greater or lesser degree and would need to be documented more fully once the Airport project is known.

Environmental Issues

Aesthetics

Any new development at the Airport would result in the conversion of an additional amount of Airport property to urbanized uses. Conversion of Airport property to Airport, commercial or industrial uses will alter the off-site views of the Airport as currently vacant land is developed. Development of these land uses may block views of the San Bernardino Mountains in the distance that may be considered significant by off-site viewers. However, implementation of the Design Guidelines and Development Standards in the Rialto Airport Specific Plan would ensure the aesthetic quality of any new development, reducing the impact on the visual quality of the Airport and the surrounding area.

During daylight hours, glare from materials used in new buildings to be constructed on the Airport site could present a nuisance or a potential safety hazard by distracting aircraft operators or motorists using the Airport runway and roadways adjacent to the Airport. During evening hours, new Airport lighting, street lights, security lighting and lighting from any new structures built on the Airport could cause spill-over lighting and glare that could also present a nuisance to residential uses in the vicinity of the Airport. Focusing and screening this lighting from adjacent land uses would reduce the impact of this lighting to an acceptable level.

It is recommended that any future environmental documentation prepared on the expansion or replacement of the Airport include an analysis of the visual and light and glare impacts created by this project.

Agricultural Resources

The Airport contains Class IV and Class VI soils which are not considered prime agricultural soils. However, a 36-acre lot in the southeast corner of the Airport is currently being used as a grape arbor. Cultivated grape (Vitis vinifera) is the sole plant species grown in this area. Additional development on the Airport site could result in the removal of the grape arbor. Since agricultural crops are being phased out in the Rialto/Fontana area, the loss of the grape arbor would most likely not be seen as a significant impact of expansion or redevelopment of the Airport site.

It is recommended that any future environmental documentation prepared on the Airport determine if the Airport includes any Prime Farmland, Unique Farmland, or Farmland of Statewide Importance to ensure that any proposed Airport project does not impact these resources.

Air Quality

The Rialto Municipal Airport is located in the South Coast Air Basin that is governed by the South Coast Air Quality Management District. The District has prepared an Air Quality Management Plan (Plan) that defines a comprehensive control strategy, achievable attainment dates, and an aggressive rule-making schedule for implementation of the Plan. The Air Basin is in non-attainment for the following pollutants: ozone (O_3); nitrogen dioxide (NO2); and fine particulate matter (PM_{10}) for both State and Federal standards. The Air Basin is also not in compliance with the Federal standard for carbon monoxide (CO). The Plan proposes ways to bring the Air Basin into compliance for the above pollutants.

Expansion or redevelopment of the Airport will create short-term air quality impacts during grading and construction activities associated with these activities. Fugitive dust emissions from demolition, clearing and grading activities will be particularly troublesome to airplanes using the Airport and on land uses adjacent to the Airport. Significant short-term emissions will also be generated by construction equipment and trucks hauling materials to and from the Airport and would also contribute to air quality degradation. It is anticipated that significant reactive organic gases (ROG) NO_x, CO and PM_{10} air pollutants will be created by these construction activities, even with mitigation measures added to the Airport project.

The operation of an expanded Airport or other land uses developed on the Airport site would result in an increase in the local and regional pollutant load due to direct impacts from air plane and vehicle emissions and indirect impacts from electricity and natural gas consumption. Even with mitigation measures included in the Airport project, it is anticipated that significant long-term ROG, NO_x and CO emissions will be created. It is anticipated that long-term significant PM_{10} emissions would not be created by the operation of an expanded Airport or other land uses developed on the Airport site.

It is anticipated that the Airport project, with other future non-airport projects, would create a significant cumulative impact on regional air quality within the Southern California Air Basin. Even with mitigation, it is anticipated that significant amounts of CO, O_3, NO_2 and PM_{10} could be created by these projects.

If significant growth is proposed at the Airport, then this project may not be consistent with regional air quality and growth management plans. This would be an issue for the project if project related impacts were not anticipated in the regional air quality planning process and reduced whenever feasible. Therefore, it would be necessary to assess the proposed Airport Project's consistency with the Air Quality

Management Plan and with other applicable growth management plans, including the SCAG Regional Comprehensive Plan and Guide.

It is recommended that any further environmental documentation prepared on the Airport project include a complete air quality analysis.

Biological Resources
The Airport site contains six plant communities, ruderal (including roadsides, fallow fields, lawns and gardens), annual grasslands, inland sage scrub, chaparral and cropland. The grassland, inland sage scrub and chaparral plant communities may support sensitive biological resources recognized by Federal, State and/or local resource conservation and organizations. These species have become threatened due to declining or limited populations as a result of habitat reduction.

Expansion or redevelopment of the Airport could result in impacts on sensitive biological resources. General and focused botanical field surveys were last conducted on the Airport site as part of the preparation of the 1997 EIR for the Rialto Airport Specific Plan. At that time no plant species listed as threatened or endangered were recorded or expected to occur in the Specific Plan area, including the Airport. However, the botanical field survey conducted as part of the 1992 Rialto Municipal Airport EIR noted that two plant species designated as endangered by the California Native Plan Society were found on the Airport site, including the thread-leaved brodiaea and Slender-horned centrostegia were found.

Two threatened or endangered bird species, the burrowing owl and the California gnatcatcher, were observed in the area covered by the Rialto Airport Specific Plan which includes the Airport. However, it is not known if the owls or gnatcatchers were observed on the Airport site. Other bird species observed on or in the vicinity of the Airport included the California threatened Swainson's hawk and bank swallow, California species-of-concern golden eagle, and northern harrier. Other bird species expected to utilize the area for foraging and scavenging included the California species-of-concern Cooper's hawk, sharp-skinned hawk, red-shouldered hawk, red-tailed hawk, white-tailed kite, barn owl, and turkey vulture.

One special status animals, the San Diego horned lizard, was found in the Rialto Airport Specific Plan area. The lizard is a Federal Species of Concern (Category 2) and California Species of Concern. One other animal, the orange-throated whiptail, which is a California species of Concern, was also found within two miles of the boundaries of the Specific Plan study area and may exist on the Airport site.

It is recommended that any future environmental documentation prepared on the Airport include a biological resources survey including field surveys of the Airport site to determine the absence or presence of the following: California gnatcatcher in conformance with the Fish and Wildlife Service's California Gnatcatcher Survey Guidelines; rare and sensitive bird species, trapping survey for rare and sensitive rodent species; and rare and sensitive plant species. Appropriate mitigation measures would be developed if any of these animal or plant species were found on the Airport site.

Cultural Resources
There are no historic landmarks on the Airport site.

Fossil bearing soils lie under the Airport site. Based on materials recovered in other areas with similar soils in Southern California, there is a probability that scientifically significant vertebrate fossils will be impacted should the Airport be expanded or redeveloped.

During a previous survey of the Airport site the remains of an intact subterranean cobble and concrete reservoir was found this is considered a prehistorical archaeological site that may be disturbed should the

Airport be expanded or redeveloped. There is the potential that other subsurface archaeological sites may exist on the Airport site.

There is the potential that subsurface historical archaeological sites may exist on or adjacent to the Airport. The expansion or redevelopment of the Airport could disturb these sites.

It is recommended that any future environmental documentation prepared on the Airport include a cultural resources impact analysis. The analysis would incorporate the mitigation measures included in the Rialto Airport Specific Plan EIR requiring that a Certified Vertebrate Paleontologist and archaeologist be retained to monitor all earth-disturbing construction related activities and salvage, prepare, catalogue and document significant fossil and archaeological finds as appropriate.

Geology and Soils

There are no earthquake faults on the Airport site. However, the Airport site is subject to potentially damaging seismically induced ground-shaking and secondary effects. Therefore, any existing or new structures at the Airport will be subject to damage from future earthquakes as would be the case for all structures in the Southern California area. Most injuries and property damage from a major earthquake would be caused by strong ground motion and associated effects such as liquefaction and dynamic settlement. However, new buildings would be built according to the Uniform Building Code that would protect them from most of the damage caused by earthquakes. However, building failure is possible during a catastrophic earthquake in the region.

Grading for new development at the Airport could result in a significant amount of earthmoving that could result in the loss of soil. However, standard measures would be taken to reduce wind and water erosion of soil from the Airport which should reduce this impact to below a level of significance.

It is recommended that any further environmental documentation prepared on the Airport address geology and soil and that it incorporate the appropriate mitigation measures included in the Rialto Airport Specific Plan EIR that reduce impacts from future seismic events and loss of soil from project construction sites. It is also recommended that a geotechnical engineer conduct a geotechnical investigation into soil conditions and properties for projects proposed to be built on the Airport site in a manner meeting the approval of the City's Building and Safety Department. Soil Erosion Control Plans should also be prepared to prevent the loss of site soils to the extent possible.

Hazards and Hazardous Materials

The historical use of the Airport has resulted in the contamination of some areas within the Airport. A field survey was conducted as part of the preparation of the Rialto Airport Specific Plan EIR looking for potentially hazardous conditions in the SP area. Evidence of underground storage tanks was found within the boundary of the Rialto Airport. If these tanks have not been replaced in the recent past then they could have leaked into the surrounding soil, contaminating the soil. Contaminated soil would be an issue that would have to be dealt with should the Airport be expanded in the area of these tanks or if the Airport was to be significantly redeveloped. Parcel-specific assessments would be required in order to ensure the identification and proper remediation of any contaminated sites. However, there is no indication that soil contamination is a broad concern impacting the entire site; rather, focused and limited areas are involved.

Lead based paints and asbestos were widely used on/in structures before 1978 when these materials were widely used. Therefore, any pre 1978 buildings at the Airport most likely contain lead based paint and asbestos that would have to be removed before these buildings could be demolished to make way for the expansion or redevelopment of the Airport. A parcel-specific assessment would be required in order to

ensure the identification and proper remediation of any lead base paints and asbestos found in any building that would need to be removed to facilitate the expansion or redevelopment of the Airport.

A bird migration corridor exists within the general are of Rialto and is associated with the Pacific Flyway. During the spring and fall migration selected bird species use the Flyway. From time to time birds do strike airplanes using the Airport. This was not perceived to be a serious threat to aircraft safety in 1992 when the EIR was prepared to expand the Airport. This situation may have changed since that time.

The Mid-Valley Sanitary Landfill is also located to the northwest of the Airport. The County has or will expand this Landfill, potentially bringing it closer to the Airport. Landfill also attracts birds that feed on municipal solid waste deposited in the Landfill. Therefore, there is the likelihood that birds attracted to the landfill could also strike planes taking off and landing at the Airport. The likelihood of birds strikes would increase as a function of the following elements; additional aircraft operations at the Airport; increased aircraft speed and acceleration; reduced aircraft engine noise levels; increased suction of air into aircraft turbine engines; and the addition of runways at the Airport. It is assumed that the likelihood of bird strikes will increase as each year passes and more birds are attracted to the Airport area by the Landfill.

It is recommended that any additional environmental documentation prepared on the Airport consider hazards and hazardous materials. Also, a study should be prepared that analyzes whether bird strikes of aircraft is a problem at the Airport in the event a continued airport option is selected.

A subject that has emerged in recent years that needs to be documented and evaluated is the percholrate plume north of the Freeway, especially if a redevelopment option involving residential use is selected.

Hydrology and Water Quality
The expansion or redevelopment of the Airport will add impervious surfaces and reduce the absorption of the water on the Airport site. This would result in an increase in the amount of surface runoff generated in the study area. This is not anticipated to create a significant impact with implementation of mitigation measures included in the Rialto Airport Specific Plan EIR to control water runoff.

Grading, excavation and construction activities associated with the expansion or redevelopment of the Airport have the potential to increase soil erosion and subsequent deposition of particles and pollutants in area drainage ways. This is also not anticipated to create a significant impact with implementation of the appropriate mitigation measures from the Rialto Airport Specific Plan EIR.

The increased rates of surface runoff generated by the expansion or redevelopment of the Airport could degrade the quality of stormwater and urban runoff that may affect receiving water quality. This is a particular problem for runoff water coming from Airport runways, taxiways and other impervious surfaces at the Airport since this water may contain petroleum distillates, detergents and excessive nutrients. A water quality study was conducted on the Airport site in April 1992 and indicated that no contamination had occurred. Another site on the Airport showed contamination but was cleaned up as of April 1992. However, contaminated water runoff from paved surfaces at the Airport may have caused additional contamination since that time.

If the Airport area is redeveloped the increase in demand for water by those working at the Airport may result in the need for additional water supplies. This would be a less than significant impact with implementation of applicable water resources mitigation measures include in the Rialto Airport Specific Plan EIR and goals, policies and implementation measures identified in the City's General Plan.

It is recommended that any additional environmental documentation prepared on the Airport include an analysis on water quality to determine if runoff from impervious surfaces at the Airport has resulted in any contamination of streambed areas or the underground water table under or adjacent to the Airport.

Land Use and Planning
Expansion of the Airport would be compatible with existing land uses, zoning and general plan designations for the Airport as established by the Rialto Airport Specific Plan.

Should the Airport be moved to another location and the Airport site and surround area be redeveloped as called for by the Rialto Airport Specific Plan, then the growth fostered by the redevelopment of this area may be inconsistent with the regional growth forecasts for this area. This may no longer be an issue if the City has coordinated with SCAG to update and refine future population, and employment projections as development occurs within the Specific Plan area.

The City of Fontana has expressed concern about the growth of the Airport being incompatible with land uses in their City to the west of the Airport. This may be an issue if this matter has not already been resolved with Fontana.

It is recommended that any additional environmental documentation prepared on the Airport include an analysis of the above land use issues if they have not already been resolved with SCAG and the City of Fontana.

Mineral Resources
There are no significant mineral resources on the Airport site so this is not an environmental issue for the expansion or redevelopment of the Airport.

Noise
The impact of aircraft noise is potentially the most important of all environmental issues associated with airports. Aircraft noise can interfere with speech, learning and sleeping. The magnitude of the problem depends on the volume, frequency and time of day of aircraft operations, the types of aircraft and the character of land use in the area surrounding airports. The noise contours developed for the 1990 Airport Master Plan for the Airport determined that for 2010 Airport operations the 70 CNEL noise contour is contained entirely within Airport property. The 65 CNEL noise contour would extent 800 feet over the western border of the property and remains on land zoned Planned Industrial Development (PID). Most of the noise and land use compatibility guidelines strongly support the concept that significant annoyance from aircraft noise levels does not occur outside a 65 CNEL contour. This does not mean that there will not be noise complaints from residents living outside the 65 CNEL noise contour.

The 60 CNEL contour extended 5,300 feet to the southwest and 2,900 feet to the northwest of the Airport boundary. All types of land uses would be compatible in the 60 CNEL noise contour.

Grading and construction of improvements associated with Airport expansion or redevelopment would result in temporary noise impacts, but this increase in noise is exempted by the City's Noise Standards as long as construction activities are conducted during the times specified in the Standards (7:00 a.m. to 7:00 p.m. Monday through Saturday – excluding Sundays and Federal holidays).

The expansion or redevelopment of the Airport would also create long-term stationary and vehicular noise impacts from mechanical equipment, loading areas, parking areas, and loudspeakers. However, mitigation measures have been included in the Rialto Airport Specific Plan that would reduce this noise to below a level of significance.

The expansion or redevelopment of the Airport would also result in the attraction of additional vehicle on the surrounding road network, thereby contributing to noise levels increases along these roadways to off-site sensitive receptors (residential area, parks, school, churches, hospitals and elderly care facilities). However, mitigation measures have been included in the Rialto Airport Specific Plan that would reduce this noise to below a level of significance.

It is recommended that any additional environmental documentation prepared on the Airport analyze noise impacts created by aircraft operations at the Airport since Airport noise contours may have changed since they were analyzed.

Population and Housing
The continued airport option will not directly contribute a significant number of new residents to the City. It is assumed at this time that workers already living in the vicinity of the Airport or from the surrounding area would fill any new jobs created by this project. No known residences or businesses would need to be demolished or replaced by this project. Therefore, population and housing is not a significant issue for the continued airport option. However, it if the airport is relocated and redevelopment plans include a residential component, then population and housing must be addressed as part of the preparation of a new redevelopment plan, specific plan amendment, or both.

Public Services
The Airport is currently served by a full range of public services (police, fire and other public services). The expansion or redevelopment of the Airport will create a need for additional public services. Expansion of the fire station on the Airport site may be necessary. Roadway improvements may also be needed to provide for better access to the Airport, including emergency access. Implementation of the Mitigation measures included in the Rialto Airport Specific Plan EIR should reduce these impacts to below a level of significance.

It is recommended that any additional environmental documentation prepared on the Airport examine the specific impacts created on public services by the expansion or redevelopment of the Airport.

Recreation
There are no parks or recreational facilities on the Airport site. Therefore, the expansion or redevelopment of the Airport will not create any direct impacts on parks or recreational facilities. Jerry Eaves Park is located along Ayala Drive in the vicinity of the Airport. It is a 22-acre park that includes a soccer complex, playground, picnic facilities, baseball field, lighting, restroom and a snack shack. Expansion or redevelopment of the Airport could potentially result in indirect impacts on this Park, including an increase in Airport noise on this facility.

Parks and recreation is not a significant issue for the Airport project and this environmental issue does not need to be further analyzed in any additional environmental analysis prepared on the Airport.

Transportation/Traffic
The expansion or redevelopment of the Airport will result in the generation of additional automobile trips on area roadways leading to the Airport. This could lead to road segments and intersections operating at unacceptable levels of service. This would depend on the extent of Airport expansion or redevelopment. It is important to note that some of these road segments and intersections may operate at unacceptable levels even without the expansion or redevelopment of the Airport.

If the main runway at the Airport were to be extended it would result in the need to replace a portion of Loral Avenue.

Expansion or redevelopment of the Airport may contribute to area freeways operating at unacceptable levels of service. However, the opening of Route 30 will relieve Airport project impacts on these freeways. The extent of this impact would be determined by the extent of Airport expansion and redevelopment.

It is recommended that any future environmental documentation prepared on the Airport include a traffic study to determine the impact of Airport expansion or redevelopment on the area roadway network.

Utilities and Services Systems

The Airport is currently served by a wide array of utilities and services systems including water (Fontana Water Company, Rialto Sewer & Water District and City Water Division), wastewater collection and treatment (City wastewater treatment plant), solid waste collection (EDCO Disposal company), Electricity (S.C. Edison), natural gas (S.C. Gas Company), telephone (SBC/PacBell). Expansion or redevelopment of the Airport will result in an increased demand for these utilities and services systems. The impact created by the increased demand would be reduced to below a level of significance by mitigation measures included in the Rialto Airport Specific Plan EIR.

It is recommended that any future environmental documentation prepared on the Airport analyze the increased need for utilities and services system and include the appropriate mitigation measures in the Rialto Airport Specific Plan EIR to reduce these impacts to below a level of significance.

Timing Constraints and Implications

Three dimensions of timing considerations impact determination of the appropriate asset management strategy for Rialto Airport. One dimension relates to the duration of the City's repayment obligations to FAA and Caltrans for the grant funding it has received for airport improvement projects and land acquisition. The second relates to the City's obligations with respect to leaseholders at the Airport. The third dimension is timing of the economic market potential of the airport area.

The FAA Grant Obligations History section of this report details the history and timeline of the FAA and State of California grant funding which the City has received related to the airport. Under FAA and State rules the City is obligated to repay grant funds over a 20-year period, which would in the City's case extend through the year 2016 at the earliest and could last through 2021, depending on interpretations regarding the most recent federal grant acceptance by the City (one that has been accepted but not activated). More significantly, the FAA also requires repayment for any land acquired using grant funding, in the proportion to which the Administration participated in funding the land acquisition. In this case that proportion is 90% of the fair market value of the land. This obligation runs indefinitely unless legislative exception is enacted. The City also has four years left of annual loan payments of $18,518 on its loan from the State of California that funded the City's matching portion of the Federal grant expenditures. Finally the City has noted that Caltrans grant repayment obligations also extend over a 20-year period (to 2014 in Rialto's case), and that the repayment amount owed to the State at present totals $98,000. Any further state obligation would need to be negotiated and documented in terms of repayment and constraints on the Airport.

Further, as described in the Airport Configuration/Facilities section of this report, the City is presently obligated to a number of tenants at the Airport. The latest lease expiration date is 2027 for the San Bernardino County Sheriff's Aviation Division, though several other leases that expire sooner also have option provisions that could extend their term for varying periods. City staff has noted that should any change in the airport status be considered, airport leases with remaining terms would require

compensation for leasehold value at fair market value or through relocation to comparable facilities at another airport.

The market opportunity study completed by Robert Charles Lesser & Co. for the City in 2003 gives some indication of the timing related to the economic development potential in the airport area of the City. The study showed that beginning in 2006 an average absorption of 50 to 60 acres annually of industrial land is expected, for a total of 380 acres by 2012. This land has been identified to potentially be located in the Agua Mansa and Airport areas. The study also estimated an opportunity for 59 acres of regional retail development in 2003, climbing to a cumulative total of nearly 82 acres by 2012, together with 21 acres, or 230,000 square feet of restaurants in 2003. The study identified residential and regional serving retail uses and recreational activities as the primary overall market opportunities in the airport area of the City. It is relevant to note that some 400 acres of land to accommodate 6.1 million square feet of development is proposed in this general vicinity.

It is not reasonable to expect that all of this development would be absorbed on the Airport property or other parcels adjacent to it. However, this amount of potential could certainly support an initial increment of development/redevelopment here. Moreover, it is not out of the question for a market to be "made" if a partnership were to be established with one or more development interests. Many large developers have expressed an interest in developing in the vicinity of the airport or on the airport directly. Depending on the developer and associated business connections, a development program may well be initiated that attracts unexpectedly enthusiastic investment in this area.

Institutional Obstacles and Concerns

Numerous public and quasi-public organizations have a strong interest in the airport system generally and this airport specifically. They include:

- Federal Aviation Administration (FAA)
- California Transportation Department, Division of Aeronautics (Caltrans)
- Southern California Association of Governments (SCAG)
- San Bernardino Associated Governments (SANBAG)
- County of San Bernardino
- Aircraft Owners and Pilots Association (AOPA).

Initially, the intent was to interview individuals representing each of these entities, but subsequent refinements to the work program resulted in FAA and Caltrans being part of a workshop discussion, along with several airport managers in the region. An interview was held, however, with the Director of Airports for San Bernardino County.

The most directly involved governmental interest, other than the City itself, is the FAA. Not only is air transportation its central mission, but it has a financial interest in this airport as a result of grant approvals over a decade ago for the purchase of land and preparation of a Master Plan to accommodate a new parallel runway. That contractual arrangement expires either in 2016, 20 years after the last year in which the City made use of FAA grant funding, or in 2021, 20 years after the last year in which the City accepted a grant award. While this term is in effect, land acquired but no longer needed for aviation activities may be sold or leased, but 90% of the proceeds must go to FAA if sold. If leased, the lease proceeds would need to go to the City's Airport Fund (or, depending on the circumstances, to another nearby GA airport in whole or in part). Whether legislative relief for any of these obligations is a possibility is beyond the scope of this study, but that avenue should be explored.

As noted earlier, the FAA has explicit application requirements for considering airport closures and replacements, which are included in Appendix E to this report. However, because of the Administration's policies, there is a very strong predisposition against losing any runway that does or could serve general aviation.

If the City opted to seek closure of the airport and replacement of operations to a nearby airport the first obstacle with FAA would be to gain policy support for the proposal. The potential for success would turn, in part, on the extent to which the "receiving" airport would be perceived as a superior support facility for general aviation, in contrast with continued functioning of the Rialto facility. Another obstacle, even if the Rialto facility continued to operate, would be the negotiation of a mutually acceptable resolution of the existing contracts related to airport planning and development between the City and FAA. This would turn on the extent of redevelopment to be accommodated on airport land not required directly for airport operations. Both obstacles would be highly challenging, if experiences elsewhere are any indication. Of the two, the first obstacle would be far more difficult because it involves the loss of an existing airport.

Caltrans also has an interest in the continued operation of general aviation facilities. Airports are part of California's transportation system and the state operates in partnership with the federal government in overseeing the standards under which airports are constructed, operated and maintained. In the case of Rialto, Caltrans has conducted acoustical noise monitoring for the purpose of estimating aircraft operations. This approach seeks to compensate for the fact that there is no tower at Rialto, so the number of operations is not monitored regularly. The result is that there is a notable discrepancy between the number of operations estimated from monitoring readings and the much larger number used by SCAG for regional transportation planning purposes. There is no immediate direct way to credibly reconcile this discrepancy.

In light of its role in airport planning and related programs, noise management, environmental analysis, technical support and legislative programs aimed at sustaining California's air transportation capabilities, it is reasonable to expect that Caltrans perspective on the fate of this airport would parallel that of the FAA. However, it should be noted that one of the roles of the Office of Airports, one of the sections of the Division of Aeronautics, is to assist airport management in complying with state and federal laws and regulations. Since those regulations do, in fact, define a process for airport closure, (and those closure procedures are outlined in an appendix to this document as well) Caltrans may be able to assist in advising all parties regarding how best to serve the general aviation community in this situation.

SCAG is a key player in the regional transportation system since it is the designated Metropolitan Planning Agency for this region. That places upon SCAG the responsibility for managing the substantial flow of federal and state transportation funds into the region and its member jurisdictions for transportation system improvements. There is an air transportation component in the regional transportation plan and SCAG publishes general aviation projections as part of that Plan. It should be noted, however, that the level of effort involved in this aspect of the system is significantly less than is invested in highway and freeway system planning. Commercial passenger and cargo air transportation also receive a great deal more attention in the regional transportation planning process than does general aviation. It is unclear at this point how SCAG may present an obstacle to airport closure and replacement, except as the overseer of the regional transportation plan. As such, it may be on the receiving end of considerable pressure to take a position. It is even possible that intense enough pressure could lead to a threat of restricting federal dollars on broader transportation programs in the region if the FAA or other parties conclude that relocating the aviation operation would constitute an unacceptable breach of federal policy regarding general aviation support.

SANBAG is the voluntary subregional organization of local governments that coordinates transportation and other aspects of regional planning affecting San Bernardino County. As such, it plays a significant role in coordinating growth estimates and projections, preparing transportation system plans, establishing traffic models, and representing this dynamic portion of the region in dealing with regional issues.

The County of San Bernardino owns and operates several airports throughout the County. It also assists in the management the San Bernardino International Airport (SBIA) as participant in a joint powers authority with the Cities of San Bernardino, Colton, and Highland. The airport authority seeks to advance the development of airport land and adjacent territory as well as stimulating increased aircraft and aviation related operations. This is an integral part of a multi-jurisdictional effort to stimulate economic development in this part of the region. It has been established that there is sufficient capacity at San Bernardino International Airport to accommodate the operations now located at Rialto and SBIA has no objections to taking on this additional activity if the City of Rialto chooses that direction. In fact, in some ways, it would be consistent with the airport's desire to expand its level of activity. However, it is important to note that the County Department of Airports (part of the County's Economic Development and Public Services Group), has a strong role to play in sustaining general aviation activity in the County. So accepting additional flight activity does not imply support for closing and relocating the Rialto airport, should the City fail to make a powerful and thoroughly documented case for relocating its aviation operations.

This array of interests in the future of the Rialto Airport raises a number of strategic issues, including:

- What amount of additional investment in the airport is necessary under either the redevelopment or airport driven future?
- Should it continue to seek and accept FAA and Caltrans dollars and, if so, for how long?
- What strategy would be most likely to successfully stimulate new development/redevelopment on the property?
- Should the City seek a land release and, if so, as a sale or lease arrangement?
- If it pursues a highly challenged replacement option, what is the City's possible cost for such a process and would the FAA's land sale proceeds be eligible contributions to offset those costs?

Decision-maker Implications and Issues

The burden continues to fall on the Rialto City Council for the main decision making role in this process. The Council is faced with making hard choices regarding the future of the airport and its property because the City is presently subsidizing the airport and foregoing the economic development opportunities associated with 453 acres of freeway oriented land. As noted before, jurisdictions often subsidize transportation systems because they are simply necessary and we have not come to a satisfactory way of apportioning the burden of their upkeep.

The primary obligation of the Council is toward the citizens of Rialto. At the same time, it has accepted an important obligation to the aviation community through 1) owning and operating a general aviation airport for almost 40 years and 2) its contractual relationship with the FAA related to a series of grants for airport planning, land acquisition and improvements. The Council has consistently recognized this dual constituency, the latest example being the approval of the scope of work leading to this report that clearly states the responsibility to both interests. This makes the Council's decision unusually difficult. It must balance the following issues:

- Maintaining a balanced City budget under conditions of severe budget constraints;

- Improving the City's economic base and improving the quality of life for Rialto residents;
- Accommodating the needs of a growing population;
- Managing the current and projected subsidies attributable to the airport;
- Determining the appropriateness of maintaining one element of the regional transportation system that may have limited direct benefit to Rialto residents but which provides a benefit to a much broader population and business area; and
- Reconciling the disparate points of view regarding the optimum future of the airport.

No matter what course of action the Council selects it faces a substantial leadership challenge. In all cases of successful resolution of situations involving airport futures, strong local elected leadership is essential.

VII. AIRPORT OPTIONS

Nine options were identified for the Rialto Airport property at the beginning of the asset strategy study. The analysis has proceeded, as intended, at a relatively general level. The objective was to screen those nine options down to two or three that merit more detailed review in a subsequent study. No additional options have been identified through the planning process, although variations on some of them have been considered. Two options are recommended as candidates for further analysis as described in Section VIII, Recommendations.

Broadly examining options has generated useful insights about the range of real possibility facing the City of Rialto. Through a combination of information review and numerous discussions with a wide variety of knowledgeable individuals, there is a much clearer picture of feasible options than at the beginning of this study. This reinforces the original strategy of looking broadly at many possibilities without investing huge sums of money in extensive detail about each one.

A workshop sponsored by the City on December 11, 2003 with a number of airport managers in the region as well as representatives of Caltrans and the Federal Aviation Administration (FAA) was particularly helpful. It brought to light some perspectives and information that could not have been obtained as efficiently by any other means. This insight is summarized in Section II, Basic Considerations.

This Section summarizes the conclusions reached regarding the original nine options. A more detailed explanation is found in Appendix G, *Options Detail*. Section VIII, Comments and Recommendations, presents a discussion of the two options recommended for further consideration.

Several points about the options and their use in general need to be understood.

The options are not necessarily mutually exclusive. Some may be combined concurrently or sequentially. For example, closure and reuse may also involve long or short-term redevelopment, as well as partnership arrangements. Similarly, continued airport use could sequentially evolve into any one of the other options. It would simply delay the change and that change could be selected and programmed well in advance to make the transition more orderly.

Some options, of course, preclude certain others. For example, airport abandonment or closure and reuse preclude any further airport functions—options 7, 8 or 9. Establishing a new airport in suburban areas or reestablishing one once it ceases to exist is so unlikely as to be virtually impossible and not worth additional consideration. In light of this set of interrelationships between options, the focus of the following commentary is primarily on the essential characteristics of each option.

Original Airport Options

1) Airport Abandonment

Description. This option focuses on removing the airport and its related obligations as expeditiously as possible. It would entail closing down the airport despite any complications or objections that might be raised by airport interests or anyone else. It is essentially a last ditch choice if fiscal and operational issues are perceived by the City to no longer justify continuation of the airport.

Implications. This action would surely involve legal and financial complications with the Federal Aviation Administration because of their policy commitment to maintaining general aviation facilities and

the funding obligations and grant covenants accepted by the City of Rialto. It would be vehemently opposed by the Aircraft Owners and Pilots Association. It could preclude redevelopment for years. It would involve significant direct costs as well as opportunity costs induced by the amount of City time and energy required to deal with the firestorm of complications it would generate.

Recommendation: Drop from further consideration because a unilateral action by the City would be likely to produce costly legal action related to existing covenants.

2) Closure and Reuse

Description. This option focuses on seeking redevelopment of the airport property as expeditiously as possible. It entails a deliberate intent to reuse the land for something other than airport use: industrial, commercial, residential, mixed use or some combination of these uses. It would be accompanied by extensive planning for the new use(s), with airport closure as an implementing step. It would not involve any effort to relocate the airport operations but would focus solely on this airport property.

Implications. This approach would require a negotiated transition with interested agencies and stakeholders as part of the implementation process for a comprehensive reuse plan. While it might entail similar risks as option 1, Airport Abandonment, the assumption with this option is that the necessary understandings and compensations would be successfully negotiated with the FAA. This would require the FAA and other interests to agree that loss of the airport would have no negative impact on the regional air transportation system—highly unlikely if not impossible in the absence of any effort to replace the airport operations elsewhere. This option would probably require special legislation to be at all feasible and the prospects for such enabling action are uncertain at best.

Recommendation: Drop from further consideration because this, too, is a form of unilateral action in that the necessary commitment to relocation is not part of the process.

3) Airport Replacement

Description: This option focuses on replacing the airport by moving the general aviation operations to another nearby airport. It entails a proactive commitment to the general aviation community to assure continued support and operational capacity within a reasonable distance from the Rialto airport. The emphasis would be on a solution that is mutually beneficial to the City and to the general aviation community.

Implications: This approach would require concurrent attention to replacement arrangements and reuse planning. It would entail establishing assurances that one or more nearby airports have the capacity and willingness to accept based aircraft, transient aircraft and fixed base operators. It would likewise require some level of comprehensive reuse planning. A process for bringing interested parties together on this strategy would be necessary to avoid the serious conflicts so common in other closure/replacement attempts elsewhere. This option would benefit substantially from using the FAA proceeds from land sales to absorb part of the replacement costs.

Recommendation: Carry forward as an option for more detailed analysis because this is the most responsible and potentially successful approach to closing the airport if the City chooses to seek that end result.

4) Long-Term Redevelopment

Description: This option focuses on seeking optimum long-term redevelopment as the primary emphasis. The key idea with this option is "optimum." Not only is redevelopment the major focus, but the quality of that development is equally important. The fate of the airport and the means of terminating that use becomes a secondary issue, subservient to the City's redevelopment objectives.

Implications: Pursuing this option will require two important positions by the City. First, it would have to be willing to reject any land use proposal that does not fit within its definition of an optimum use or design or both. The idea is to define a desired quality and hold out for it. The fate of the airport would be incidental to achieving the most desirable redevelopment uses. It could take a long time for new development to occur. Second, the City would have to resolve how the Airport figures into the ultimate development pattern, if it does. If it does not, it may be worth exploring special legislation to make more of the land available to the City than called for by current FAA regulations.

Recommendation: Combine with Option 3 for as an option for more detailed analysis because compatible development/redevelopment is an essential component of continued airport operations and it is the central feature of a future without an airport.

5) Short-Term Redevelopment

Description. This option focuses on establishing redevelopment projects on portions of the property at the earliest possible time. It would initially utilize land parcels that are clearly not needed for airport purposes. This could include some of the FAA acquired land now that the second runway is no longer a possibility, on a lease basis. The key to effective use of this option is to understand clearly what the long-range potential is so that initial redevelopment avoids being shortsighted: in effect, be sure the City knows the long-range plan and insure that short-term redevelopment conforms to it. It is even possible under this option that property committed to other than airport use in the short run could be returned to airport use at the end of a specified time period.

Implications. This approach reflects a desire to get a head start on redevelopment, even as the airport fate may be evolving. It could, however, become an impediment to the City's best interests if it leads to uses that are uneconomic in the long run. If not thoughtfully pursued, it could impede long-term development, with or without an airport. Short-term development could capitalize on existing infrastructure improvements and generate revenues while land values are still regionally very competitive.

Recommendation: Combine with Option 3 for as an option for more detailed analysis because short-term development/redevelopment is needed to quickly improve the City's fiscal situation and reinforce whatever market there is for airport tenants or, if the airport is relocated, non-aviation businesses.

6) Partnership

Description: This option focuses on a public/private partnership as a means of bringing about redevelopment, continuation of the airport in some form, or both. It can be initiated as a precursor to making decisions about the other option choices, or could be combined with all of them but the first option. It could entail selling or leasing the airport to a private operator and capturing a percentage of the revenues.

Implications: This approach can be a means for sharing the burdens/risks associated with the other options as well as the benefits. It is a common tool for redevelopment agencies and can be quite creative in structure and operation. The arrangements could be complex, but the City is experienced in exclusive

rights to negotiate disposition and development agreements and other such mechanisms. This could be risky if the operator is not successful.

Recommendation: Incorporate as a feature of other basic options because it has the potential to facilitate positive development that the City could not necessarily undertake by itself.

7) Specialized Aviation Facility

Description: This option focuses on a limited airport that serves specialized air operations. The most obvious of these specialties would be helicopters, requiring limited space. Even with that specialty, it may still be necessary to maintain a runway for certain support functions. However, the intent would be to clearly depart from a typical general aviation operation.

Implications: This option is essentially a tailor-made approach that would have to be "invented." There appears to be little experience with such a conversion. Moreover, the market segment to be served is quite narrow and therefore subject to considerable fluctuations. The main advantage of this approach is that it would be designed to consume a relatively small amount of land and could require minimal management responsibilities by the City. It would need to accommodate enough development/redevelopment on surplus properties to enable the facility to at least pay for itself.

Recommendation: Consider as a long-term possibility in combination with either long term redevelopment or continued airport use, but avoid as a primary course of action because it is unlikely to provide sufficient operational levels by itself.

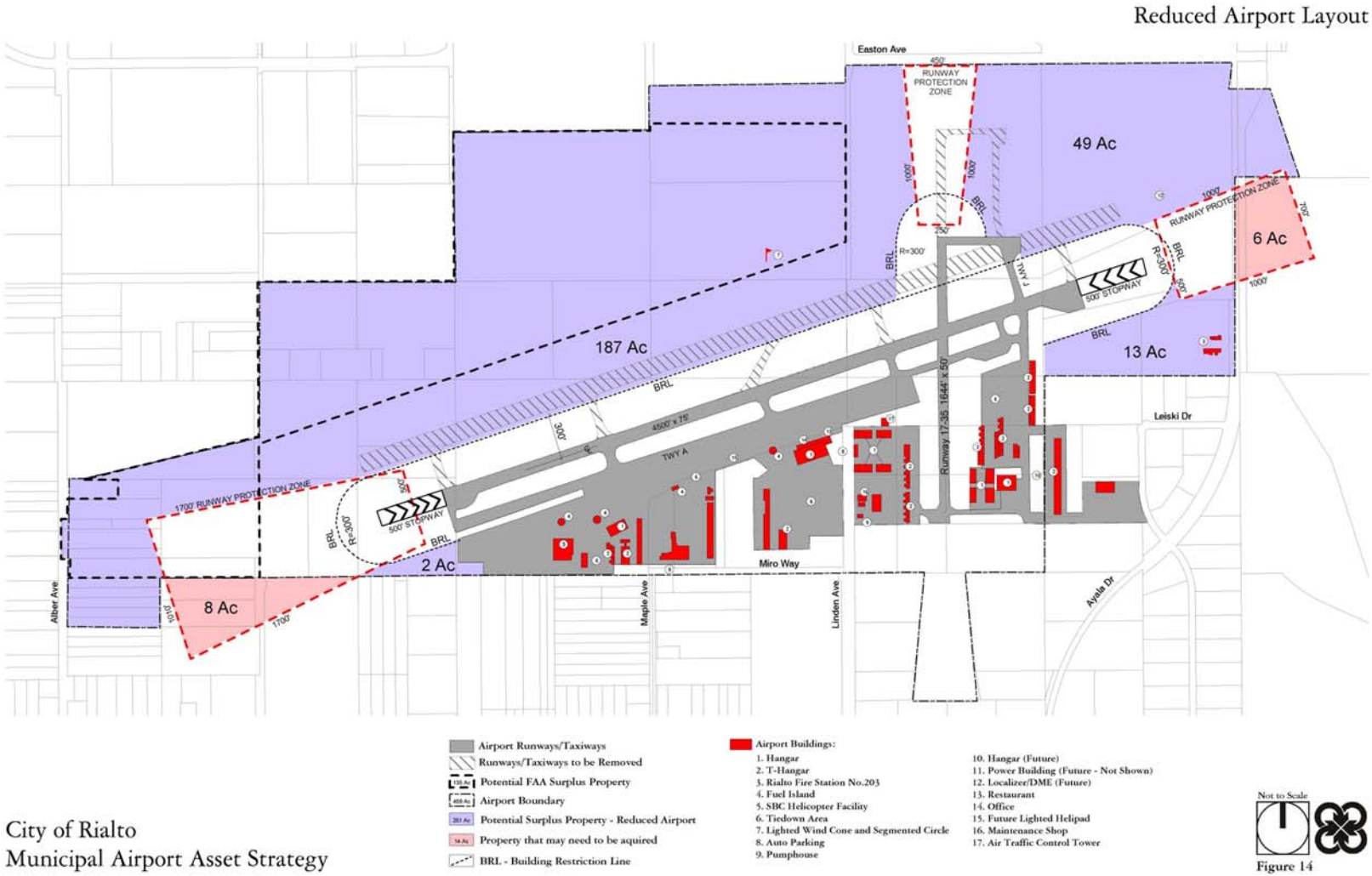
8) Continued Airport

Description: This option focuses on maintaining the status quo in terms of airport facilities. It assumes that the airport will continue to function at a sustainable level within the current level of improvement. No fundamental change in the airport would be anticipated, but operations could increase (market permitting) with the current runway configuration. This option could also entail reverting to the pre-1992 configuration or something similar. The airport's function would be retained, but with the ability to handle fewer types of aircraft. This concept is illustrated in Figure 14, *Reduced Airport Layout*, and shows how as much as 250 acres of development/redevelopment could occur and still retain a functional GA facility.

Implications: This approach assumes that there is sufficient market potential to generate additional operations. If this is not so, the airport would most likely continue to be a fiscal drain on the City and account for paper loss on the part of FAA investment in the airport. Maximum development of land not directly need for aviation purposes would need to occur so that the Airport could be for itself. Sustaining the airport under this option would require aggressive leadership on the part of the City, based on the airport as a critical ingredient in the City's vision. A substantial City leadership and initiative would be necessary to make this work and the competition as well as associated costs may still limit success.

Recommendation: Carry forward as a basic option for more detailed analysis because it may offer special economic development benefits if it can be packaged with the right kind of development and a way can be found to reverse City subsidization.

Figure 14 Reduced Airport Layout



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9) Enhanced Airport

Description: This option focuses on the maximum possible expansion of airport operations, with commensurate facility improvements. This entails a vision of the airport as a dominant feature and asset of the City, leading most logically to a redefinition of the airport vicinity as a major urban activity center with the airport as its centerpiece.

Implications: This is obviously a long-term concept that requires the strongest possible sustained commitment to the airport. It also implies an eventual level and quality of development adjacent to the airport and on airport property that compares favorably with other examples within the region. This option assumes resurgence of general aviation demand in this part of the region, as well as the ability of Rialto to successfully compete for general aviation business.

Recommendation: Drop this option from further consideration because the limited market potential, ongoing City budget shortfalls and nearby competition combine to make this option economically infeasible. Moreover, expanded business related operations at this point would no doubt raise extensive community concerns because of noise impacts (despite significant improvements in contemporary business fleet noise suppression).

VIII. RECOMMENDATIONS

Two options are derived from 6 of the original 9 options that merit being carried forward for further analysis. They consist essentially of: 1) a Continued Airport option and 2) a Redevelopment option. Variations combined with each final option are derived from the other options discussed above.

1) Continued Airport Option

Discussion: This option focuses on a continuation of airport operations, accompanied by the maximum possible redevelopment of airport property not directly required for aviation use as well as development of properties adjacent to the airport. The basis for this approach is Option 8 (Continued Airport). The distinction is that this option may involve some facility changes and improvements, but would definitely not entail expansion of the runway system. In fact, since redevelopment is the key to success of this approach for fiscal and economic development reasons, it may well be that the existing runway and related facilities should be scaled back to provide the maximum possible land area for redevelopment. Figure 13, *Reduced Airport Layout*, offers a preliminary concept for such a change. Since redevelopment on and off the airport property is a vital component of this option, it involves short and long-term redevelopment and may entail one or more partnership arrangements as well.

Implications: The airport would remain a viable facility and would require periodic maintenance and improvement just to sustain its current role and capacity potential. If the airport were to revert to its pre-1992 configuration, as much as 250 acres could be recaptured for other use, as shown in Figure 4. Infrastructure planning would have to be designed to meet the needs of the airport as well as redevelopment, with provisions for adaptability if the airport is subsequently modified. This option would preclude residential and other noise sensitive uses as well as any form of development involving large gatherings of people. Industrial, retail commercial and office uses would be appropriate tenants and neighbors. Since the idea is to maximize redevelopment activity, further airport expansion would be precluded. Since the intention would be to capitalize on the airport as a redevelopment attraction, the City's economic development and marketing program would need to encompass that message.

The driving issue with this option is the need to find a way to live with continued red ink if it can't be reversed or, much more desirably, find a way to reverse the budget losses attributed to the airport. This would entail at least an update of the 1991 Master Plan to reflect new City direction for the airport, accompanied by an EIR/EIS to document the environmental impacts of the plan. Such a process would be necessary as the basis for any negotiations that might be undertaken with the FAA regarding land releases on property in which the FAA has a direct interest. It would also be required as a foundation for a number of phasing issues that would have to be well coordinated: redevelopment; infrastructure and access; airport modifications and improvements; and lease negotiations/arrangements.

This option would not preclude subsequent closure and replacement, either at a planned point in time or as a result of changed circumstances that would make this a prudent change in direction. Thus, an airport driven future could be an interim (phased transition) or a permanent condition. If the City intentionally chose to shift to a non-airport future, a phasing plan would be essential as a means of effectively managing its financial and physical resources in connection with eventual phase-out of the airport. Moreover, environmental management plan would be a critical ingredient to insure that the City is not caught in a costly land use conflict.

The continued airport option has merit if it can be associated with a level and type of business development in the immediate area for which a convenient GA facility is a strong attraction and advantage. It does not appear supportable based only on growth in GA activity in the region or subregion

because 1) the level of actual growth is uncertain at best; and 2) the competition from other nearby airports is very strong, as evidenced by decline in operations and based aircraft at Rialto. This option would also require:

- Demographic changes in the City and surrounding communities that support aircraft ownership;
- A new airport master plan with associated current environmental documentation, based on two variations: continuing the airport in its current configuration or modifying it to its pre-1992 configuration to make more land available for redevelopment;
- Specification in the new master plan of the short and long-term redevelopment strategies for development of airport property as well as supporting infrastructure plans for the airport and adjacent properties;
- Complete documentation of operational levels actually experienced at the airport;
- Preparation and broad acceptance of new, more realistic forecasts of GA operations and based aircraft.
- Concurrent development/redevelopment in the short term to improve revenue performance;
- A land release on the portions of the airport property that could be developed without constraining continued GA operations;
- Exploration of private partnership opportunities or even sale of the airport, leading to the strongest possible City/private sector arrangement for aggressive development of those lands not needed for aviation purposes;
- Establishment of a process for gaining broad support for this approach, especially if it entails reverting to a more limited facility.

These are demanding requirements and will take both time and money to accomplish. In the meanwhile, the total financial burden associated with the airport will continue.

Phase II Guidance: Phase II would require at least the following steps related to this option:

- Conduct more detailed site analysis.
- Prepare a contemporary airport master plan, with variations regarding Airport configurations.
- Include a phasing strategy in the master plan or as a parallel document.
- Prepare an EIR/EIS for the new master plan.
- Evaluate specific partnership arrangements for redevelopment purposes on surplus properties.
- Consider a collaborative planning process in the planning work to be done.
- Conduct a focused fiscal analysis to determine fiscal impacts on the City of Rialto.

2) Redevelopment Option

Discussion: This option focuses on redevelopment of all the airport land, necessitating a closure of the airport and replacement of its aviation operations. The basis for this approach is a combination of Options 3, 4 and 5 (Airport Replacement, Long-Term Redevelopment and Short-term Redevelopment, respectively. It could also include the strategy discussed in Option 6, Partnership. The essential thrust of this option approach is to achieve total development/redevelopment of the airport property and adjacent lands in increments as expeditiously as the market and implementing actions would allow. Because the replacement process (if successful) would take a considerable amount of time, a phasing strategy involving short and long-term steps would be inevitable and essential.

Implications: The airport would remain in operation during at least the short-term redevelopment activity and could be phased out in increments. For example, the crosswind runway could be eliminated

as a first step and then eventually the remaining improvements would be phased out as operational replacement could be completed. In the meanwhile, challenging activities would be required, the most difficult being obtaining approval for the replacement process. If the City sought approval while the FAA still has a contractual (covenant) interest in the property it helped to finance, the approval might take only a few years, assuming a straightforward process that did not involve litigation. A process is provided for in FAA regulations, but experience elsewhere is not encouraging. It suggests that the process could be lengthy, contentious and very costly, with no assurance of success. Another approach would be to wait until the FAA obligation expires (approximately the year 2021, based on the most recent obligation assumed because of FAA funding—though it could be less if the FAA would agree). That is a very long time to sustain continued budget losses, so it argues for the most aggressive redevelopment activity possible on land that can clearly be developed without impeding aviation use. This could entail a land release on all or portions of the land acquired for the now defunct idea of a second runway. However, that would require a formal agreement with the FAA and in all probability would require a new master plan based on contemporary airport potential and associated environmental documentation. This same planning foundation would also be the basis for short-term redevelopment guidance to assure a smooth transition at such time as the complete airport property becomes available for redevelopment.

A redevelopment driven option has merit if the aviation operations can eventually be replaced at one or more nearby airports. This option could generate significant increased value and revenues for the City if 1) economic growth and strategic marketing by the City succeed in attracting high-value businesses over the short and long-term, and 2) a process for eventually closing the airport and replacing it at one or more nearby airports is successful without undue cost and delays. The potential for the first requirement is strong and could be enhanced by working closely with one or more private development partners. The prospects for the second requirement are unknown. However, given the experiences elsewhere, the factors affecting this airport, and a commitment by the City to benefit the GA community as well as City interests, such a scenario is not unreasonable. This option would require:

- Continued strong economic growth in the sub-region;
- Establishment of a process for reaching consensus among the various airport interests that replacement is feasible and preferable from GA and City perspectives, or accompanied by or leading to an application to FAA for closure/replacement;
- Either a new airport master plan as a basis for more accurately calibrating the real potential that must be replaced, or an agreement between the City and the FAA that the 1991 Master Plan is null and void and that potential should be based on the current airport improvements.
- Complete documentation of operational levels actually experienced at the Airport;
- Preparation and broad acceptance of new, more realistic forecasts of GA operations and based aircraft.
- Specification of the short and long-term redevelopment strategies for development of airport property as well as supporting infrastructure plans for the airport and adjacent properties;
- Concurrent development/redevelopment in the short term to improve revenue performance;
- A land release on the portions of the airport property that could be developed without constraining continued GA operations until airport replacement is achieved;
- Exploration of private partnership opportunities, leading to the strongest possible City/private sector arrangement for aggressive development of those lands not needed for aviation purposes in the short term and remaining parcels once replacement is achieved;

These are demanding requirements and will take both time and money. In the meanwhile, the total financial burden associated with the airport will continue.

Phase II Guidance: Phase II would require at least the following steps related to this option:

- Conduct more detailed site analysis.
- Prepare a contemporary airport master plan to cover interim operations until replacement.
- Include a phasing strategy in the master plan or as a parallel document to define the timing and sequence of replacement/airport closure
- Evaluate specific partnership arrangements for initial and ultimate redevelopment.
- Prepare an EIR/EIS for the new master plan.
- Consider a collaborative planning process as described below.
- Explore possible legislative relief for all or part of the 90% land sale obligation to the FAA.
- Conduct a focused fiscal analysis to determine fiscal impacts on the City of Rialto.

Common Actions

Both of the options recommended for further evaluation have similar requirements even though the eventual development outcome would be quite different. As a practical matter, they could be virtually identical in terms of short-term planning and implementation over the next few years. They would both require and benefit from:

- A completed Phase II analysis that would enable the City Council to determine its preferred direction.

- An updated airport master plan.

- A related EIR/EIS.

- A short-term development/redevelopment strategy.

The Phase II work could feed directly into the master planning/EIR/EIS work with the addition of airport design consultation to the consultant resources.

In addition, the City should immediately initiate a means of documenting operations at the airport so the ambiguity regarding that matter can be cleared up. It should also monitor closely the case studies referred to in this report as a source of continuing intelligence that would be useful in pursuing the direction resulting from Phase II of this analysis.

3) A Collaborative Approach

A further consideration relates to the experience of dealing with airport transitions, a challenging process in light of experience elsewhere. There are at least six interests (and probably more) that are directly affected by any proposal to alter or replace the Rialto Airport:

- The City Council in its policy setting and strategic role governing City matters;
- The citizens of Rialto who will bear the impact of whatever course of action is pursued.
- The general aviation community, including those currently based at Rialto, with the broader general aviation interests represented by the Aircraft Owners and Pilots Association (AOPA).
- Current business lessees at the airport.
- The Federal Aviation Administration (FAA), with federal policy authority over airport and air transportation matters.

- California Department of Transportation (Caltrans), Division of Aeronautics, with state policy oversight regarding airport and air transportation matters.

Many other parties also have an interest in the fate of this and other general aviation airports, as well as development and redevelopment opportunities on such a significant piece of property.

If the City chooses ultimately to proceed with the Redevelopment option, requiring replacement of the airport's aviation operations and closure of the airport, it is worth considering a different approach than has typically been taken. It may even be a productive means of pursuing the Continued Airport option as well because of the significant changes in the airport that may be involved. This is especially true if the City decides to revert to the pre-1992 airport configuration to free up the maximum amount of land for redevelopment.

The approach proposed can generally be described as a collaborative approach as opposed to an adversarial approach (the characteristic that typically applies where closure/replacement are involved, whether intended or not). There are many tools and techniques to accomplish this approach. Some are experiencing considerable success in extremely controversial, emotional and heated situations. Many are applied more and more to contentious land use issues. Some of the techniques include:

- Future Search, a focused workshop technique for finding common ground and gaining commitment to taking action.

- Powerful Non-Defensive Communication, a process in which participants learn to communicate and reach a common understanding without resorting to endless argument.

- ChoiceWork, a collaborative process that enables interests with very different perspectives and agendas to "get on the same page" so they can work out a mutually acceptable strategy.

- National Charette Institute, a non-profit organization that specializes in project level charette guidance involving highly contentious development related issues.

These are only examples. There are many that can be used individually, sequentially or in combination. The point now is not to lock in on a particular technique but, rather, to consider a different way of going in striving to solve the very real problem to which Rialto is seeking reasonable answers.

The problem with most processes involving vehemently different positions is that, quite often, one or more key interests will choose to simply "opt out" of the dialogue because they want to reserve the opportunity to become a spoiler if the outcome is not completely satisfactory from their point of view. These collaborative processes are designed to cut though that mentality and have a better chance of achieving a "win-win" outcome.

- Replacement of the airport at an equal or superior facility is essential;
- The Aircraft Owners and Pilots Association (AOPA) is likely to strongly advocate retaining the airport;
- The FAA may also take a strong position to retain the airport;
- The process will take considerable time and could be costly;
- A defensible and well documented plan must be the basis for such a significant change;
- The requirements to initiate a closure and replacement process are clear, but the process itself consists of extended negotiations and must be thoughtfully designed in advance; and

- Failure in addressing these points may result in legal actions and delays that could be extremely costly to the City.

Numerous legal issues remain for more focused analysis by someone with extensive experience with FAA application procedures and environmental requirements.

Many interests would, of necessity, be involved in exploring the remaining options. They would include the City, County, SANBAG, Caltrans, FAA, the AOPA, airport tenants, businesses with a desire to develop/redevelop airport property, nearby property owners, and owners/operators of nearby airports. When the City determines its preferred course of action, these interests will need to be taken into consideration in designing the necessary planning process.

4) Concluding Remarks

General Aviation circumstances today are far different from those that prevailed when the City prepared its most recent Airport Master Plan in 1992. Based upon that plan and the projections it contained, the City sought to expand and modernize the Airport. However, that effort met with both success and failure, with the Airport runway and taxiway system being improved, but the planned expansion—that included the construction of another runway—later rejected by the FAA as unnecessary based on insufficient potential operations. This FAA decision came after having assisted the City to purchase 135 acres of land for the planned expansion. The closure and conversion of Norton AFB from a military to "private use" during the early 1990's arguably changed the regional aviation system, especially in this sub-region. This may have contributed to the FAA's decision to not approve the expansion of Rialto Airport. Perhaps even more important, the general aviation world has shared in the traumatic effects of major economic downturns and restructuring during the last decade. When combined with pervasive fears of terrorism and concern for security, today's world of 2004 is far different from that of 1992.

Currently, Rialto's Airport operations are estimated to be 30-38000 operations per year based on the most recent data collected by Caltrans acoustic counters between 1995 and 2001—a fraction of previous estimates. Current national forecasts indicate that GA will see very limited growth in the foreseeable future. Combined with the competition from ten existing GA airports in the sub-region, it is highly unlikely that Rialto's Airport will see any significant increase in operations in the future. It is even more unlikely that they would enable the Airport to become financially solvent.

Like most local governments in California that have seen significant tax revenues siphoned off by the State of California to cure its budget deficits, the City of Rialto must continually balance its responsibilities to provide essential services to its residents with the support for facilities, such as the Airport, that serve a much broader constituency. Given the City's current and projected fiscal position and the service needs of its residents, it appears the City will have little if any discretionary funds for other purposes. Specifically, the City is not in a position to continue to subsidize the Airport Enterprise fund. That subsidy now stands at over $6 million and is projected to double in just another six years.

With that said, two options for the managing the Airport asset have emerged from this analysis. One is a Continued Airport option that envisions a limited GA facility accompanied by the maximum feasible amount of commercial and industrial development possible to help derive income that could be directed to maintain the facility and repay accumulated debt. The optimum way of achieving that would be to scale back the Airport to its pre-1992 configuration, which would involve developing up to 250 acres of land to be sold or leased. The challenge would be to find a developer capable of undertaking a business or industrial park development that include the Airport as a business asset. This is not impossible but is certainly not assured.

A second option would be a Redevelopment option that involves closing and relocating the Airport to one or more nearby facilities and developing/redeveloping the entire 453 acres and the surrounding acreage with a combination of commercial, industrial and residential uses. This option would entail successfully negotiating a closure and relocation process. Based on experiences elsewhere, this could be difficult, but not impossible, especially given the current circumstance that prevail. It can be strongly argued that closure and relocation of the Rialto Airport could, in fact, have a decidedly positive impact upon the region's GA system and its users.

Several of the surrounding airport managers/operators have indicated a willingness or ability to absorb some or all of Rialto's operations. If the FAA share of land sales were earmarked for improvements at a nearby replacement airport, a highly cost-effective result could be achieved. Such an outcome has the possibility of obtaining broad support for closing and redeveloping the Airport on the part of key stakeholders: the consequence of a true "win-win" approach. This could make the Rialto conversion much less adversarial than has been experienced in other locales.

The City may want to study the fiscal implications of these two options in depth before selecting one for implementation. A comparative "fiscal balance sheet" is beyond the scope of the current phase of analysis. However, it does appear that the Development/redevelopment option offers the potential to achieve a better financial bottom line for the City and its citizens, mainly because it involves almost twice as much revenue producing land and limits the need for continued investment in the Airport. The same conclusion applies for the general aviation community as well. There is substantial evidence that three (and probably more) nearby airports with better facilities than are provided at the Rialto Airport are actively seeking additional aviation activity and have the capacity to do so. Efficient use of limited dollars should benefit all interests associated with this Airport.

If the City Council wishes to expedite a solution to the situation based on the analysis presented here, then the Development/redevelopment option appears to be the stronger of the two. At the same time, it would entail a challenging process to obtain the necessary approvals from the FAA and Caltrans, based on their financial and policy involvement in the Airport. An action plan to implement this choice would be the logical next step if this approach were selected.

If however the City Council wishes to proceed along the lines of the original study concept—exploring the options resulting from this study in more detail before selecting a preferred direction—then a work program for doing so would be the logical next step. This would include such tasks as preparing a comparative development pro-forma, devising a concept plan that would facilitate short-term development/redevelopment on at least a portion of the Airport property, and engaging interested parties in focused discussions of the pros and cons of each option. This course of action may or may not validate the preliminary judgment based on the present analysis, as which is the stronger option.

This report and information is presented for Council their consideration with appreciation for the fact that it is not an easy decision given the size and scope of the issues involved. Within the limits of available information, staff and consultants have sought to provide the most objective and defensible information that could be brought to bear on this issue.